Calendar No. 719

97TH CONGRESS *2d Session*	SENATE	REPORT NO. 97-504

OMNIBUS RECONCILIATION ACT OF 1982

REPORT

OF THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

TO ACCOMPANY

S. 2774

A BILL TO PROVIDE FOR RECONCILIATION PURSUANT TO SECTION 2 OF THE FIRST CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1983 (S. CON. RES. 92, NINETY-SEVENTH CONGRESS)

JULY 26 (legislative day JULY 12), 1982.—Ordered to be printed

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REPORT

[To accompany S. 2774]

The Committee on the Budget, to which was submitted reconciliation recommendations pursuant to Section 2 of the First Concurrent Resolution on the Budget for Fiscal Year 1983 (S. Con. Res. 92, Ninety-seventh Congress), having considered the same, reports favorably thereon and recommends that the bill embodying those recommendations do pass.

VIEWS OF THE COMMITTEE ON THE BUDGET

Reconciliation is an important tool to restrain Federal spending. It is authorized by Title III of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344). Reconciliation permits the Congress to consider spending reductions from several committees in one bill, while reserving to the individual committees the power to make recommendations for reductions in laws within their respective jurisdictions.

Adoption of Reconciliation Instructions

On June 23, 1982, Congress adopted Senate Concurrent Resolution 92, the First Concurrent Resolution on the Budget for Fiscal Year 1983. That resolution mandated dramatic reductions in the large budget deficits which would otherwise face the nation. Revenue and spending targets for the fiscal years 1983 through 1985 contained in the resolution will lower deficits over the next 3 years by $379 billion.

In order to help achieve the fiscal policy set forth in Senate Concurrent Resolution 92, Congress included in that resolution instructions to nine House committees and eight Senate committees to recommend changes in laws in their jurisdiction which would cut spending by $10.9 billion in budget authority and $27.2 billion in outlays in the fiscal years 1983 through 1985. In addition, the Senate Finance and the House Ways and Means Committees were given reconciliation instructions to report revenue increases totalling $98.3 billion during the fiscal year 1983-85 period.

Seven of the eight Senate committees were assigned a reporting date of July 20, 1982. Pursuant to subsection 310(c)(2) of the Budget Act, those Committees submitted their reports to the Senate Budget Committee on or before this deadline. The Budget Committee is responsible for combining the legislative recommendations of these committees into a single bill and for reporting these recommendations to the Senate without any substantive revision.

The Senate Finance Committee was required to report its responses to reconciliation, both spending reductions and revenue increases, by July 12, 1982. The Finance Committee was the only committee required to report by that date. Pursuant to subsection 310(c)(1) of the Budget Act, the Finance Committee was instructed to report directly to the full Senate. The Finance Committee's reconciliation bill, H.R. 4961, known as the Tax Equity and Fiscal Responsibility Act of 1982, was reported on July 12. That bill was passed by the Senate during the session of July 22, 1982.

Reconciliation Is a Necessary Tool To Achieve Savings

The Budget Committee believes that the reconciliation process is a necessary procedure by which to achieve many of the dramatic reductions in Federal spending called for by Senate Concurrent Resolution 92. These spending reductions are necessary in order to wage an effective battle against large Federal deficits and the high interest rates which have plagued the national economy for many months.

This Bill and Report

The Senate Budget Committee reports herewith the recommendations of seven Senate committees, without any substantive revision, and with a recommendation that the bill do pass.

Nonbudgetary Provisions

The Budget Committee believes that the inclusion of non-budgetary provisions in a reconciliation bill is inconsistent with the spirit and letter of the Budget Act, damages the credibility of the budget process, and could have the effect of circumventing Rule XXII of the Standing Rules of the Senate.

The problem of so-called "extraneous matters" became a major issue last year during Senate consideration of S. 1377, the Omnibus Reconciliation Act of 1981. A number of provisions which were determined to be clearly extraneous were stricken from that bill. A special time agreement was entered into with respect to other provisions which some Senators contended were extraneous.

The Budget Committee has authorized the Chairman and Ranking Member to consult with the Chairman and Ranking Members of committees which have submitted legislation, and with the Senate leadership, to identify any clearly extraneous matters in this bill and to reach an agreement on any amendments which may be necessary to eliminate such matters from the bill. The Budget Committee recommends that such amendments as agreed upon be adopted by the Senate.

Level of Savings Achieved

The total reductions in deficits as reported by the seven Senate committees exceed by $1.1 billion the total outlay savings in fiscal years 1983–85 specified by the reconciliation instructions included in the First Budget Resolution. According to Congressional Budget Office estimates, all seven of the committees whose recommendations are included in this bill met or exceeded the savings levels specified in the reconciliation instructions. Indeed, two committees—Agriculture, Nutrition, and Forestry and Veterans Affairs—reported legislative savings exceeding their instructions by substantial amounts.

The Governmental Affairs Committee achieved a small portion of its savings target (less than 5 percent) by recommending actions which will increase Federal receipts. While a question could be raised about whether this conforms to the reconciliation instruc-

tions, the Budget Committee believes the Governmental Affairs Committee has complied fully with the spirit of the instructions.

Savings Achieved by the Senate Committees on Armed Services and Foreign Relations

The Senate Committees on Armed Services and Foreign Relations were instructed in the First Budget Resolution to report recommended changes in direct spending programs (as defined by subsection 401(c)(2)(C) of the Budget Act) within their jurisdiction. The First Budget Resolution assumed that these two committees would cap the cost-of-living adjustments (COLAs) for Federal retirement programs within their jurisdictions at 4 percent. These savings will occur automatically under this bill because the Committee on Governmental Affairs recommended changes in COLAs for civil service retirees. The uniformed service and foreign service retiree COLAs are tied by law to the civil service retirement COLA. Therefore, there was no need for the Committees on Armed Services and Foreign Relations to report any legislative language for their titles. Provisions are included in Titles II and V of this Act to clarify how the reconciliation instructions for the Committees on Armed Services and Foreign Relations were met. Similar cross reference language was included in the Reconciliation Acts of 1980 and 1981.

RECONCILIATION PROCEDURE

Just as the Budget Act provides for the reconciliation procedure itself, it provides in sections 310(e) and 305 special rules for the consideration of reconciliation bills.

The following rules apply to the consideration of a reconciliation bill in the Senate:

First, debate on any reconciliation bill and all amendments thereto and debatable motions and appeals in connection therewith is limited to 20 hours.

Second, debate on the bill (including amendments, debatable motions, and appeals) shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

Third, debate on any amendment is limited to 2 hours, divided between the mover of the amendment and the manager of the bill.

Fourth, debate on any amendment to an amendment, debatable motion, or appeal is limited to 1 hour, divided between the mover and the manager.

Fifth, a motion to limit debate to less than 20 hours is not debatable.

Sixth, a motion to recommit is not in order unless it contains instructions to report back within a specified time, not to exceed 3 days, and debate on such a motion is limited to 1 hour, divided between the mover and the manager.

Seventh, any germane amendment which amends the bill in more than one place and which achieves or maintains mathematical consistency is always in order.

Eighth, amendments to the bill must be "germane to the provisions of" the legislation. The "germaneness rule" has been interpreted as prohibiting any amendment which introduces "new subject matter."

The instructed committees, therefore, set the parameters of germaneness, as the Budget Committee reports what is submitted to it without any substantive revision.

The "germaneness rule" does not apply to a motion to recommit the bill with instructions to report a specific amendment, if a committee has not complied with its reconciliation instructions, and if the effect of the motion would be to bring the bill into compliance with the reconciliation instructions.

Ninth, floor consideration of the conference report on a reconciliation bill is in order any time after the third day following the day on which the conference report is reported and is available to Senators. Debate on the conference report is limited to 10 hours, divided equally, with debate on any appeal or motion limited to 1 hour divided between the mover and the manager.

SUMMARY OF RECONCILIATION RECOMMENDATIONS

The following tables summarize the savings achieved by the seven committees as reported in the bill and compare them to the reconciliation instructions to the seven committees. Table 1 provides an overall summary of the bill and the reconciliation instructions. Table 2 provides a summary of spending reductions by committee. Table 3 provides a summary of the recommended reductions in cost-of-living adjustments for retirement programs. Table 4 provides details of the savings within each title of the bill.

All of the dollar amounts in the tables have been estimated by the Congressional Budget Office based on the submissions of the seven committees to the Budget Committee. Details may not add to totals due to rounding.

Table 1

SUMMARY OF SAVINGS

[In millions of dollars]

	FY 1983	FY 1984	FY 1985	Total FY 1983-85
Recommendations in bill:				
Reduction in budget authority	−1,476	−2,556	−3,741	−7,773
Reduction in outlays	−2,492	−4,022	−5,664	−12,177
Increase in revenues		+94	+55	+149
Reduction in deficit	−2,492	−4,116	−5,719	−12,326
Reconciliation instructions to committees:				
Reduction in budget authority	−1,073	−2,188	−3,379	−6,640
Reduction in outlays	−2,144	−3,704	−5,336	−11,184
Increase in revenues				
Reduction in deficit	−2,144	−3,704	−5,336	−11,184

Table 2

SUMMARY OF SPENDING REDUCTIONS BY COMMITTEE

[In millions of dollars]

Committee		FY 1983	FY 1984	FY 1985	Total FY 1983-85
Agriculture, Nutrition, and Forestry	BA	−1,091	−1,410	−1,739	−4,240
	O	−1,091	−1,410	−1,739	−4,240
Armed Services	BA	−213	−694	−1,233	−2,140
	O	−213	−694	−1,233	−2,140

SUMMARY OF SPENDING REDUCTIONS BY COMMITTEE—Continued

[In millions of dollars]

Committee		FY 1983	FY 1984	FY 1985	Total FY 1983-85
Banking, Housing, and Urban Affairs	BA	.....	.....	.....	.....
	O	−695	−697	−687	−2,079
Commerce, Science, and Transportation.	BA	−4	−16	−28	−48
	O	−4	−16	−28	−48
Foreign Relations	BA	.....	−2	−4	−6
	O	−2	−8	−15	−25
Governmental Affairs	BA	.....	−242	−535	−777
	O	−320	−1,005	−1,760	−3,085
Veterans Affairs	BA	−168	−192	−202	−562
	O	−167	−192	−202	−560
Total spending reductions in bill.	BA	−1,476	−2,556	−3,741	−7,773
	O	−2,492	−4,022	−5,664	−12,177
Total reconciliation instructions to committees.	BA	−1,073	−2,188	−3,379	−6,640
	O	−2,144	−3,704	−5,336	−11,184

Table 3

REDUCTIONS IN COST-OF-LIVING ADJUSTMENTS FOR RETIREMENT PROGRAMS

[Outlays—In millions of dollars]

	FY 1983	FY 1984	FY 1985	Total FY 1983-85
Military retirement	−212	−691	−1,228	−2,131
Public Health Service commissioned officers retirement	−1	−3	−5	−9
Coast Guard retirement	−4	−15	−27	−46
Foreign service retirement	−2	−8	−15	−25
Civil service retirement	−270	−917	−1,633	−2,820
Total reductions in cost-of-living adjustments	−489	−1,634	−2,908	−5,031

Table 4

SAVINGS BY TITLE

[In millions of dollars]

		FY 1983	FY 1984	FY 1985	Total FY 1983-85
TITLE I					
AGRICULTURE, NUTRITION, AND FORESTRY COMMITTEE					
Food stamps	BA	−825	−826	−886	−2,537
	O	−825	−826	−886	−2,537
Dairy price supports	BA	−150	−520	−845	−1,515
	O	−150	−520	−845	−1,515
Export subsidies	BA	−116	−64	−8	−188
	O	−116	−64	−8	−188
Total spending reduction in title I.	BA	−1,091	−1,410	−1,739	−4,240
	O	−1,091	−1,410	−1,739	−4,240
Reconcilition instruction to committee.	BA	−779	−1,083	−1,428	−3,290
	O	−779	−1,083	−1,428	−3,290
TITLE II					
ARMED SERVICES COMMITTEE					
Military retirement cost-of-living adjustment.	BA	−212	−691	−1,228	−2,131
	O	−212	−691	−1,228	−2,131
Public Health Service commissioned officers retirement cost-of-living adjustment.	BA	−1	−3	−5	−9
	O	−1	−3	−5	−9
Total spending reduction in title II.	BA	−213	−694	−1,233	−2,140
	O	−213	−694	−1,233	−2,140
Reconciliation instruction to committee.	BA	−213	−693	−1,231	−2,137
	O	−213	−693	−1,231	−2,137
TITLE III					
BANKING, HOUSING, AND URBAN AFFAIRS COMMITTEE					
FHA mortgage insurance premiums (total spending reduction in title III).	BA	.....	.....	.....	.....
	O	−695	−697	−687	−2,079
Reconcilition instruction to committee....	BA	.....	.....	.....	.....
	O	−695	−697	−687	−2,079

SAVINGS BY TITLE—Continued

[In millions of dollars]

		FY 1983	FY 1984	FY 1985	Total FY 1983–85
TITLE IV					
COMMERCE, SCIENCE, AND TRANSPORTATION COMMITTEE					
Coast Guard retirement cost-of-living adjustment.	BA	−4	−15	−27	−46
	O	−4	−15	−27	−46
Reductions in size of FCC and ICC [1]	BA	−(*)	−1	−1	−2
	O	−(*)	−1	−1	−2
Total spending reduction in title IV.	BA	−4	−16	−28	−48
	O	−4	−16	−28	−48
Reconciliation instruction to committee.	BA	−4	−15	−27	−46
	O	−4	−15	−27	−46
TITLE V					
FOREIGN RELATIONS COMMITTEE					
Foreign Service retirement cost-of-living adjustment (total spending reduction in title V).	BA	.....	−2	−4	−6
	O	−2	−8	−15	−25
Reconciliation instruction to committee..	BA	.....	−2	−4	−6
	O	−2	−8	−15	−25
TITLE VI					
GOVERNMENTAL AFFAIRS COMMITTEE					
Spending Reduction:					
Civil service retirement cost-of-living adjustment.	BA	.....	−240	−534	−774
	O	−270	−917	−1,633	−2,820
Other civil service retirement changes.	BA	.....	[2] −2	[2] −1	[2] −3
	O	−50	−88	−127	−265
Total spending reduction in title VI.	BA	.....	−242	−535	−777
	O	−320	−1,005	−1,760	−3,085
Reconciliation instruction to committee.	BA	.....	−240	−534	−774
	O	−374	−1,053	−1,793	−3,220
Revenue Increase:					
Civil service retirement (total revenue increase in title VI).		.....	+94	+55	+149
Reconciliation instruction to committee.		.....			
Total Deficit Reduction		−320	−1,099	−1,815	−3,234

SAVINGS BY TITLE—Continued

[In millions of dollars]

		FY 1983	FY 1984	FY 1985	Total FY 1983–85
TITLE VII					
VETERANS AFFAIRS COMMITTEE					
Compensation	BA	−40	−41	−42	−122
	O	−40	−41	−42	−122
Pensions	BA	−39	−51	−56	−146
	O	−37	−51	−56	−144
Home loan user fee	BA	−90	−100	−104	−294
	O	−90	−100	−104	−294
Total spending reduction in title VII.	BA	−168	−192	−202	−562
	O	−167	−192	−202	−560
Reconciliation instruction to committee.	BA	−77	−155	−155	−387
	O	−77	−155	−155	−387

(*) Less than $500,000.
[1] Reduction in authorizations.
[2] Excludes budget authority effect of proposed revenue increases.

RULE XXVI

In compliance with Rule XXVI, paragraphs 11(b) (regulatory impact) and 12 (comparative prints of proposed legislation) of the Standing Rules of the Senate, it is the opinion of the Budget Committee that it is necessary to dispense with these requirements of the rule in order to expedite the business of the Senate.

However, with respect to any committee which has submitted reconciliation recommendations and has transmitted to the Budget Committee changes in existing law, those changes are incorporated in this report without revision, in the title-by-title analysis.

ROLLCALL VOTES IN COMMITTEE

Votes taken during Committee consideration of this legislation were as follows:

(1) Hollings motion to report the Omnibus Reconciliation Act of 1982 without recommendation.

Rejected by voice vote.

Mr. Chiles requested to be recorded "aye" on the Hollings motion.

Mr. Exon, had he been present, would have voted "aye" on the Hollings motion.

(2) Domenici motion to report the Omnibus Reconciliation Act of 1982 with the recommendation that the bill do pass.

Motion agreed to by 13 yeas, 4 nays.

Yeas:	Nays:
Mr. Armstrong	Mr. Biden
Mrs. Kassebaum	Mr. Johnston
Mr. Boschwitz	Mr. Moynihan
Mr. Hatch	Mr. Exon
Mr. Tower	
Mr. Andrews	
Mr. Symms	
Mr. Grassley	
Mr. Kasten	
Mr. Quayle	
Mr. Gorton	
Mr. Hollings	
Mr. Domenici	

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TITLE-BY-TITLE ANALYSIS

The following is a title-by-title analysis of the legislation. In each case, the analyses of the respective committees are presented without revision, except that attachments and enclosures referred to in committee submissions that are a part of their legislative language have been extracted and inserted in the Omnibus Reconciliation Act of 1982.

In addition, the final cost estimates by the Congressional Budget Office were not in some instances available to the committees when they made their submissions to the Budget Committee. In those cases the CBO cost estimates have been added to the materials submitted by the committees.

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Title I

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, D.C. 20510

July 20, 1982

Honorable Pete V. Domenici
Chairman
Senate Committee on the Budget
203 Carroll Arms
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed pursuant to the reconciliation instructions in section 2(a)(1) of the First Concurrent Resolution on the Budget for fiscal year 1983 (S.Con.Res. 92) are the recommendations for the Senate Committee on Agriculture, Nutrition, and Forestry for reducing spending under laws within its jurisdiction.

In accordance with the instructions, we have drafted (1) the legislative language to effect the reductions in spending required by the resolution, and (2) an explanation of those reductions for inclusion in your report on the reconciliation legislation.

According to the Congressional Budget Office, the changes in law adopted by our Committee would reduce spending in both budget authority and outlays for each of the following fiscal years in the amounts indicated:

(MILLIONS OF DOLLARS)

1983	1984	1985
1,091	1,410	1,739

The Committee recommendations exceed the amount of the instructions by $312 million in fiscal year 1983; by $327 million in fiscal year 1984; and by $311 million in fiscal year 1985.

A detailed explanation of these recommendations is provided for inclusion in the Budget Committee report on these legislative changes in accordance with the reconciliation instructions.

Sincerely,

Jesse Helms

JESSE HELMS
Chairman

INTRODUCTION

In accordance with the requirements of the First Concurrent Resolution on the Budget for fiscal year 1983, the Committee on Agriculture, Nutrition, and Forestry recommends amendments in statutes of the United States under its jurisdiction to reduce spending and authorizations to the levels required by the reconciliation instructions, and for other purposes.

The budget resolution instructions to this Committee assumed that the savings required would be achieved in the income security budget function 600, specifically with respect to the food stamp program. However, since the budget resolution did not restrict the Committee to function 600 in making its recommendations, it was decided that in addition to the recommendations relating to food stamps, there would also be recommendations under function 350 relating to the dairy price support program and certain features of the wheat, feed grain, cotton, and rice commodity programs, as well as certain authorities governing outlays by the Commodity Credit Corporation for export enhancement.

Inasmuch as the Committee adopted recommendations for spending reductions in the food stamp program that are less than the amounts required by the instructions, it was necessary for the Committee to recommend reductions in spending from other areas under its jurisdiction. This was principally accomplished by amending statutes governing the dairy price support program.

Finally, because of the Committee's concern about the extremely distressed economic conditions in the agriculture sector brought about by unusually low commodity prices and by softness in our traditional export markets, the Committee decided to include in its recommendations provisions to amend farm programs in such a way as to improve farm income, but without causing increases in outlays over the levels already anticipated.

The Committee recommendations relating to the farm commodity programs are designed to meet the immediate farm income crisis by providing partial payment to farmers of deficiency payments that would otherwise be made in December 1982 in October 1982, instead.

Also, in recognition of the unfair trading practices of certain nations which compete with the United States in the world food and fiber markets, the Committee includes in its recommendations a mandatory requirement for the Secretary of Agriculture to provide certain export subsidies in instances where he has determined that other nations are offering similar subsidies that have the effect of taking away traditional United States markets.

Prior to the reconciliation markup the Committee held 2 days of hearings on the food stamp program, at which 42 witnesses offered testimony. Also, the Committee conducted 2 days of hearings on the dairy price support program, hearing 38 witnesses.

The Committee on Agriculture, Nutrition, and Forestry has met its reconciliation instructions, and in fact, exceeded the required amount of savings as is indicated in the statistical summary which follows:

[Millions of dollars]

	1983	1984	1985
Recommendations	1,091	1,410	1,739
Instructions	779	1,083	1,428
Balance (amount of savings which exceed instructions)	312	327	311

SUMMARY OF RECOMMENDATIONS

FOOD STAMP PROGRAM REDUCTIONS

Approval of State agency materials.—The Committee recommendations would prohibit the Secretary of Agriculture from requiring that the States submit for prior approval, State agency instructions, interpretations of policy, methods of administration, forms, or other materials, unless the State determines that they alter or amend its plan of operation for the food stamp program or conflict with the rights and levels of benefits to which households are entitled.

Bilingual personnel and printed materials.—The Committee recommendations would eliminate the current requirement for State agencies to use appropriate bilingual personnel and printed materials in administering the food stamp program in those portions of political subdivisions in the State where a substantial number of low-income persons speak a language other than English. The recommendations would allow the States the option of using such personnel and materials.

Points and hours of certification and issuance.—The Committee recommendations would eliminate the current requirement that State agencies comply with Federal standards with regard to points and hours of certification and issuance. States would be able to design their own points and hours procedures recognizing their own unique State administrative structures.

Certification systems.—The Committee recommendations would permit each State to choose whether (1) AFDC and general assistance households must have their food stamp application included in their AFDC or general assistance application, and (2) food stamp applicants must be certified eligible based on information in their AFDC or general assistance case file, to the extent reasonably verified information is available in the file. The States would continue to be required to (1) conduct unified interviews for potential food stamp and AFDC recipients and (2) allow SSI recipient households to apply for participation in the food stamp program by executing a simple application at a social security office.

Waiver of reporting requirements.—The Committee recommendations would permit the Secretary of Agriculture, upon the request of a State, to waive any food stamp periodic reporting rules (other than those exempting certain categories of recipients from periodic reports) to the extent necessary to allow the State to establish periodic reporting rules for food stamps that are similar to those for the Aid to Families with Dependent Children program.

Approval of periodic reporting forms.—The Committee recommendations would remove the requirement that the Secretary of Agriculture design or approve the forms used by the States for nonperiodic reporting of changes in household circumstances.

Authorized representatives.—The Committee recommendations would permit the Secretary of Agriculture to restrict the number of households for which one individual may serve as an authorized representative and to establish criteria and verification standards for representatives and for households that may be represented.

Assurance of nonduplication with "cashed out" benefits.—The Committee recommendations would require the Secretary of Agriculture to require State food stamp agencies to conduct at least annually verification or other measures to ensure that individuals who have been "cashed out" of the food stamp program are not also receiving food stamps.

Duplicate receipt of food stamps.—The Committee recommendations would require State food stamp agencies to establish a system and take periodic action to verify that no individual is receiving food stamps in more than one jurisdiction in the State.

Verification of interest and dividend income.—The Committee recommendations would authorize the Secretary of Agriculture, in those States or portions of States in which the Secretary finds it would be useful to protect program integrity, to require the Inspector General of the Department or a State agency, or both, to request and use information on the interest and dividend income of a household available through the Federal income tax system.

Disclosure of information.—The Committee recommendations allow the disclosure of information obtained from food stamp households to persons connected with the administration or enforcement of other Federal assistance programs and federally assisted State programs.

Definition of household.—The Committee recommendations would require that all related persons who live together be treated as a single household, unless one of the related persons is age 60 or older or is disabled.

Post secondary students.—The Committee recommendations revise food stamp eligibility requirements for post secondary students by limiting participation by students with dependents to those with dependent children under age 6 and students who are receiving aid to families with dependent children. Students who are mentally and physically unfit, under age 18 or over age 60, employed a minimum of 20 hours per week or engaged in a work study program would continue to be eligible to participate in the food stamp program if they otherwise meet the eligibility requirements.

Expedited service.—The Committee recommendations would require that expedited 5-day service be provided to households (1) having gross incomes lower than $85 per month or headed by a destitute migrant or seasonal farmworker and (2) having liquid assets of not more than $100. A State agency would not be required to provide this expedited service to a given household more than once in a 6-month period, unless that household is headed by a destitute migrant or seasonal farmworker.

Notice of benefit reduction or termination.—The Committee recommendations would permit the States to immediately reduce benefits or terminate a household from the food stamp program when a written notice is received from the household that clearly requires such a reduction or termination.

New or modified issuance procedures.—The Committee recommendations would authorize the Secretary of Agriculture to require

a State agency to implement new or modified issuance procedures that the Secretary finds would improve program integrity and be cost-effective.

Income eligibility.—The Committee recommendations would revise the income eligibility test for households without an elderly or disabled member. The recommendations would require that these households must have net monthly incomes (after the various expense disregards and deductions) below 100 percent of the Federal poverty level, in addition to meeting the 130 percent of poverty gross income test, in order to be eligible for food stamps.

Income and assets of ineligible aliens.—The Committee recommendations would require that all the income and assets of an ineligible alien be attributed to the remainder of the residential unit of which the alien is a member for purposes of determining food stamp eligibility of and benefits due the household.

Cost-of-living adjustments to Federal benefits.—The Committee recommendations would require that the July cost-of-living increases in Social Security, SSI, Veterans, and Railroad Retirement benefits not be counted as income for food stamp purposes until October of the same year, when the indexing of food stamp allotment levels occurs.

Effect of noncompliance with other programs.—The Committee recommendations would prohibit any increase in food stamp benefits to households on which a penalty resulting in a decrease in income has been imposed for intentional failure to comply with a Federal, State, or local welfare law.

Indexing of thrifty food plan.—The measurement periods used for each October's adjustment to the cost of the thrifty food plan would be revised. The adjustment scheduled for October 1, 1982, would be based on food price changes for the 18 months ending March 31, 1982. The October 1983 adjustment would be based on changes in the 13-month period ending April 30, 1983. The October 1984 adjustment would be based on changes in the 13-month period ending May 31, 1984. The October 1985 adjustment would be based on changes in the 13-month period ending June 30, 1985. Each subsequent October 1 adjustment would be based on the 12 months ending the preceding June 30 (the same as under current law).

Rounding of computations for the thrifty food plan.—The Committee recommendations would revise the rounding rules for annual adjustments to the cost of the thrifty food plan to provide that rounding would occur only after the thrifty food plan amounts had been calculated for all household sizes and the amounts would then be rounded down to the nearest whole dollar.

Prorating benefits.—The Committee recommendations allow food stamp benefits to be prorated for any month following any lapse of participation.

Disabled veterans.—The Committee recommendations would treat disabled veterans and disabled survivors of veterans in the same manner as disabled persons who receive supplemental security income benefits or who receive disability or blindness benefits under the Social Security Act.

Standard utility allowance.—The Committee recommendations would specifically permit a State agency to use a standard utility allowance in computing a household's excess shelter expense deduction. An allowance that does not fluctuate within a year to reflect seasonal violations would be permitted but an allowance for a

heating or cooling expense may not be used for a household that does not incur a heating or cooling expense and for households in public housing units with central utility meters. Prorating of the allowance would be required in the case of households sharing a residential unit.

Standard deduction.—The Committee recommendations would delay the July 1, 1983, adjustment of the standard deductions until October 1, 1984. The Committee recommendations would also revise the rounding rules for the annual adjustments to deduction levels. After adjustment for inflation, the result would be rounded down to the nearest whole dollar increment.

Excess shelter/dependent care deduction.—The Committee recommendations would delay the July 1, 1983, adjustment to the ceiling on shelter/dependent care expense deductions until October 1, 1983. The Committee recommendations would also revise the rounding rules for the annual adjustments to deduction levels. After adjustment for inflation, the result would be rounded down to the nearest whole dollar increment.

Assets.—The Committee recommendations would preclude the Secretary, with some exceptions, from altering the food stamp financial resources limitations which were in effect as of June 1, 1982.

Categorical eligibility.—The Committee recommendations permit the States to consider a household in which all members receive Aid to Families with Dependent Children benefits and whose income does not exceed the income standard of eligibility as having satisfied the resource limitations under the food stamp program.

Employment requirements.—The Committee recommendations strengthen work registration and job search requirements by providing that an entire household would be disqualified for failure to comply with whatever reasonable job search requirements are prescribed by the Secretary. Such disqualification would remain in effect until the requirement is complied with. The recommendations would also specifically provide that households would be ineligible to participate in the food stamp program if a member of the household subject to these provisions, without good cause, refuses to report for a job interview, refuses to provide information regarding employment status or availability for work, or refuses to report for a work opportunity.

Voluntary quit.—The Committee recommendations would lengthen the period of food stamp program ineligibility due to voluntarily quitting a job from 60 days to 90 days and permit the Secretary to fix the starting point of the period of disqualification for participants. The recommendations would also extend the definition of a voluntary quit without good cause (and the attendant period of ineligibility) to include Federal, State, or local government employees who have been dismissed from their jobs because of participation in a strike against the government entity involved.

Job search requirements.—The Committee recommendations would permit the Secretary to impose job search requirements on applicants for food stamps, as well as recipients.

Parent/caretaker exemptions.—The Committee recommendations would eliminate the exception from work registration for parents or caretakers of children when the parent or caretaker is part of a household in which there is another able-bodied parent or caretaker subject to food stamp work requirements. The effect of this pro-

vision is to require a second parent or caretaker in a household to register for work when the youngest child in the household reaches age 6.

Employment exemption.—The Committee recommendations would revise the work registration requirement to exempt those individuals (i) employed a minimum of 150 hours per month or (ii) receiving monthly earnings equal to the applicable minimum wage rate multiplied by 150 hours, rather than those employed 30 hours per week or receiving earnings equivalent to the minimum wage times 30 hours.

Department of Labor participation.—The Committee recommendations would remove the requirement for joint issuance of regulations on work registration by the Secretary of Agriculture and the Secretary of Labor and would remove the requirement that these regulations be patterned on those for the WIN program.

Similar workfare programs.—The Committee recommendations would require the Secretary to promulgate guidelines for food stamp workfare programs which would enable the political subdivisions operating these programs to operate them in a manner consistent with similar workfare programs operated by the subdivision. A political subdivision could comply with food stamp workfare requirements by operating (i) a workfare program under the Aid to Families with Dependent Chidren program or (ii) any other workfare program which the Secretary determines meets the provisions and protections contained in the food stamp program.

Exemption of WIN participants from workfare.—The Committee recommendations would delete the current exemption from the workfare requirement for food stamp participants who are involved at least 20 hours a week in a WIN program and provide that a State may, at its option, exempt such participants from the workfare requirements.

Workfare hours of employment.—The Committee recommendations would revise the maximum number of hours that an agency operating a workfare program could require of a participating member. Under the recommendations, a workfare participant could not be required to work more hours than equal the value of the allotment to which the household is entitled or more than 30 hours a week when added to any other hours worked during a week for compensation (in cash or in kind) in any other capacity.

Employment requirement pilot project.—The Committee recommendations would authorize the Secretary of Agriculture to conduct pilot projects in each of the 7 administrative regions of the Food and Nutrition Service of the Department of Agriculture to determine the effects of making nonexempt individuals ineligible to participate in the food stamp program if they do not meet certain requirements as to employment.

Fraud claims collection procedure.—The Committee recommendations would allow the household of a disqualified person 30 days after a demand for an election to choose between a reduced allotment or repayment in cash to reimburse the Government for any overissuance of food stamp benefits.

Repayment through unemployment benefits.—The Committee recommendations would permit States to collect overissuances of food stamps from those found guilty of fraud or of having otherwise violated the Food Stamp Act or regulations by having appropriate amounts withheld from unemployment compensation due the individual.

Repayment through Federal income tax refunds.—The Committee recommendations would allow collection of overissuance of food stamps from those found guilty of fraud or of having otherwise violated the Food Stamp Act or regulations by the withholding, by the Secretary of the Treasury, of appropriate amounts from any Federal income tax refund due the individual and payment of such amounts to the State agency.

Collection through Federal income tax refunds would be made upon request by the State agency if (i) the dollar amount of the overissuance has not been collected through reduction in the household's allotment, repayment in cash, or collection through unemployment compensation benefits within 3 months of the determination of the overissuance and (ii) the uncollected overissuance (plus any other amounts owed the State agency under similar provisions of Federal law) equals $100 or more.

States' share of recovered moneys.—The Committee recommendations would specify by statute that States could retain 50 percent of recovered overissuances when collected by any means except in the case of overissuances arising from State error.

House-to-house trade routes.—The Committee recommendations would authorize the Secretary of Agriculture to limit the operation of house-to-house trade routes to those that are reasonably necessary to provide adequate access to households if the Secretary finds, in consultation with the Department's Inspector General, that approval of house-to-house trade routes damages the integrity of the food stamp program.

Bonding for retail food stores.—The Committee recommendations would permit the Secretary to require retail food stores which have previously been disqualified or subjected to a civil penalty to furnish a bond to cover the value of food stamps they may redeem in violation of the Act. The Secretary would prescribe the amount and other terms and conditions of such bond by regulation.

Disqualification and penalties.—The Committee recommendations would raise the maximum civil money penalty from $5,000 to $10,000 for each violation of the Food Stamp Act or regulations which is committed by a retail food store. The recommendations would also set by statute the periods of disqualification applicable to retail food stores. The disqualification period for the first violation shall be for a reasonable period of time between 6 months and 5 years. The disqualification period for a second violation shall be for a reasonable period of time between 12 months and 10 years. The retail food store would be permanently disqualified for a third violation or for trafficking in food stamps or authorization documents.

State liability for errors.—The Committee recommendations would revise the provisions of the Food Stamp Act governing State liability for errors. The Federal share of a State's administrative costs would be reduced according to the degree to which a State fails to meet specific targets for reduction in its cumulative error rate for overissuances and benefits issued to ineligibles. Each State would be responsible for reducing its error rate to 5 percent by fiscal year 1985, with one-third of this reduction being accomplished in each of the first 2 fiscal years. Each State would lose 5 percent of the Federal portion of its program administrative costs for each percentage point (or portion thereof) by which the State fell short of its error reduction goal. States would also continue to

be liable to the Secretary for certification losses due to negligence or fraud.

Financial incentives for low error rates.—The Committee recommendations would revise the provisions governing financial incentives for low error rates by reducing the existing 65 percent Federal share of State administrative costs (for cumulative error rates below 5 percent and a low rate of invalid denials) to 60 percent and by eliminating the 60 percent and 55 percent initiatives.

Optional block grant.—The Committee recommendations would permit a State, at its option, to elect to operate a low-income nutritional assistance block grant to finance expenditures for food assistance for needy persons within the State in lieu of operating a food stamp program within the State. The State would be allowed to design its own low-income nutritional assistance program. States making such an election would receive at the start of the fiscal year a percentage of the annual Federal food stamp appropriation, other than the amount apportioned to Puerto Rico, equal to their proportionate share of food stamp benefits (including cash benefits in lieu of food stamps and the Federal share of State administrative expenses) during the period April 1, 1981, through March 31, 1982. No State would receive less than 0.25 percent of the non-Puerto Rican appropriation.

Appropriation authorization.—The Committee recommendations would extend the authorization of appropriations for the food stamp program for 3 years as follows: for all of the program except the Puerto Rican block grant, $11.9 billion for fiscal year 1983, $12.3 billion for fiscal year 1984, and $13.2 billion for fiscal year 1985. For the Puerto Rican block grant an authorization of $825 million would be provided for each of fiscal years 1983 through 1985.

Studies.—The Committee recommendations would delete three studies that have been completed and delete a requirement for an annual report to Congress on the effect of elimination of the purchase requirement. The recommendations would also require the Secretary to study and report to the House and Senate agriculture committees by February 1, 1984, on the effect of reductions in food stamp benefits provided under the Omnibus Budget Reconciliation Act of 1981, the Agriculture and Food Act of 1981, and any other laws enacted by the 97th Congress that affect the food stamp program.

DAIRY

Milk price support.—The Committee recommendations would establish the minimum level of price support for milk at $13.10 per hundredweight for the period beginning with the date of enactment of the provision and ending on September 30, 1985.

FARM PROGRAMS

Advance deficiency payments.—The Committee recommendations would provide for the Secretary to make advance deficiency payments for the 1982 through 1985 crops of wheat, feed grains, upland cotton, and rice whenever an acreage limitation or set-aside is implemented by the Secretary. For the 1982 and 1983 crops, the Secretary would be required to make advance payments, as follows: (1) for 1982 crops, the payment would equal 70 percent of the pro-

jected final payment and would be made as soon as practicable after October 1, 1982; and (2) for 1983 crops, the payment would be up to 50 percent of the projected final payment and would be made as soon as practicable after producers sign up for the programs, but not before October 1, 1982. For the 1984 and 1985 crops, the Secretary would be authorized but not required, to make advance payments in amounts up to 50 percent of the projected final payments. The recommendations also require that any overpayments be refunded to the Secretary by producers by the end of the marketing year for the crop involved. Any advance payments made to a producer who fails to meet the program requirements must be repaid, with interest, immediately.

AGRICULTURAL EXPORT PROMOTION

Agricultural export promotion.—The Committee recommendations require the Secretary of Agriculture to use between $175 million and $190 million of Commodity Credit Corporation funds for agricultural export promotion activities to discourage and neutralize agricultural export subsidy programs by foreign countries. The Secretary would be required to use the funds to buy-down the rate of interest on export credit financing for a term of up to 10 years or to initiate price subsidy programs with respect to one or more agricultural commodities that have been or are involved in unfair trade practice cases under section 301 of the Trade Act of 1974, as amended, as the Secretary determines appropriate to neutralize subsidies on the same commodities by foreign countries. In addition, the Secretary would be authorized to guarantee the repayment of loans for which interest reduction payments are made. The recommendations also provide for the Secretary to target the subsidies to maximize the effects in neutralizing foreign subsidies and require the Secretary to safeguard the usual marketings of U.S. agricultural commodities.

Purpose and Need

FOOD STAMP PROGRAM REDUCTIONS

Household consolidation (Sec. 102)

The Committee adopted an amendment by Senator Dole that would tighten the definition of an eligible food stamp household by requiring that all *related* persons living together, who are not elderly or disabled, apply together as a single household unit. Unrelated persons living together, along with the elderly and disabled individuals (except for spouses), would continue to be allowed separate household status, if they can demonstrate that they purchase food and prepare meals separately. This revision is designed to further limit the number of instances in which household members may manipulate current rules and gain status as separate food stamp households (and receive, thereby, larger benefits), although they live together and depend on one another for support.

Because of economies of scale, small (one-, two-, and three-person) households are provided more food stamps per person than larger households. For example, current benefit levels are $70 for 1-, $128 for 2-, $183 for 3-person households. In addition, a standard deduction and the ability to deduct dependent care and shelter expenses

are provided to each recipient household unit, resulting in smaller countable income and larger benefits for each household unit able to take these deductions. Thus, for larger households that are able to fragment into separate, smaller households simply by purchasing and preparing food separately, or claiming to do so, benefits can be significantly increased.

In 1981, Congress took a first step toward limiting this potential manipulation of food stamp rules by *requiring* that parents and children living together apply together, except for elderly or disabled parents. This year's Committee proposal would take the next logical step by including all related persons in the requirement, although retaining the exemption for the elderly and disabled.

The Committee accepted the Administration's assurances that the current policy of prohibiting spouses—including elderly and disabled spouses—from claiming separate household status would be continued.

The Committee continues to recognize that there are some cases in which persons living together are properly treated as separate households for food stamp purposes. The following are among those cases that might fall into this category:

Individuals who live together who work different shifts and purchase food and prepare meals separately.

Individuals who live together but have separate cooking facilities and purchase food and prepare meals separately.

Individuals who have a live-in medical attendant who purchases food and prepare meals separately.

It should be emphasized, however, that these are examples of typical instances in which individuals might be likely to purchase food and prepare meals separately. Eligibility workers may question households about their circumstances in these and similar situations to satisfy the worker that legitimate separate resources are used to meet truly separate food needs. Home visits may be used.

The caseworker may also look to the household's treatment under AFDC to determine household composition for food stamp purposes. However, an open-ended rule that allows most or all households to fragment simply by changing food purchasing and eating habits is too subject to manipulation.

Limiting the availability of the "purchase and prepare food separately" rule to those most likely to actually be separate households, although living together with others for reasons of economy or health (i.e., unrelated persons and the elderly or disabled), would place a reasonable control on a situation that State and local administrators have identified as one which rquires congressional action. In fact, tightening of the household definition was the leading recommendation for change made in response to a recent survey by the Committee. Suggestions for revision were received from Alaska, Georgia, Louisiana, North Carolina, Oklahoma, South Carolina, Virginia, Washington, Wyoming, and numerous local administrators, including several who testified before the Committee.

A further problem with the existing household definition occurs when members of a household "claim" to purchase and prepare food separately, but, in fact, do not. Verification of a household's claim can be difficult and administratively burdensome as noted in the following examples from State administrators. Rod Betit, Director of Alaska's food stamp program, explained the abuses which remain under the current system:

> Public Law 97-35, the Omnibus Budget Reconciliation Act, required parents under 60 years of age and their children living together to be considered as one household. This did add *some* strength to a basically fraud-prone household composition definition; however, much tighter controls are needed. 7 CFR 273.1(a)(1)(ii) states that anyone who resides with others but customarily purchases and prepares meals separate from the other residents is considered a household. There are many instances where this does in fact happen, but it appears there are just as many situations where this definition is abused. An example is people living together, but not presenting themselves as husband and wife, one person working and the other applying for food stamps as a single person household. In actuality, the working member is supporting the two person household and if that income were considered in the food stamp budget the case would be ineligible. This loophold must be eliminated.

North Carolina's Director of Social Services, John Syria, also provided a similar rationale for tightening the household definition.

> The Omnibus Reconciliation Act of 1981 tightened up the definition of "households" and eliminated the bulk of separate households residing in a single shelter and excluded boarders from receiving food stamps. Some loopholes, however, remain. While disallowing children of parents living in the same shelter from separate household status (unless the parent or parents are age 60 or over), separate households continue to exist. Friends living together, brothers and sisters, or any type of arrangement when a parent is not included allows a manipulation of the situation to establish separate households and thereby receive additional food stamps.

The Committee intends that the Secretary examine the household definition regulations to tighten abuses reported by State and local officials who indicate that the current regulations are too lenient and enable many recipients to manipulate the rules to their advantage.

While retaining the "purchase and prepare food separately" rule for unrelated persons and the elderly and disabled, (except spouses), the Committee would expect that eligibility workers could effectively question claims and that the burden of proof for establishing "separateness" would be placed on the household, not on the administering agency.

In lieu of adopting a specific legislative change, the Committee accepted assurances from the Administration that the thrust of that legislative initiative is being undertaken by the Department of Agriculture through regulatory changes.

Household size has consistently been determined to be the second most likely source of recipient fraud resulting in overissuances; income is first. The Helms provision would have *required* in the Act itself verification of household size by State agencies.

The Committee has heard numerous complaints from State and local officials about regulatory limitations imposed on verification of household information. The thrust of the Department's regula-

tions should provide maximum flexibility for verification of information provided by applicants and recipients. For example, the Secretary should re-examine the current regulatory prohibition on unannounced home visits and the requirement to have an applicant's permission before making a collateral contact with a source provided by the applicant. The legislative change proposed by Senator Helms would have specified that States would be permitted to verify any eligibility factors they determine to be necessary.

Inflation adjustments to the cost of the thrifty food plan (Secs. 103 and 149)

The Committee accepted a proposal by Senator Dole, similar to one put forward by Chairman Helms, to revise the measurement periods used in calculating the inflation adjustment made to food stamp benefit levels each October. This revision is expected to produce benefit levels (after inflation indexing) that will be noticeably smaller than anticipated under existing law, through fiscal year 1985, and thereby will help to hold down the growth of food stamp spending without unduly harming recipients.

Nearly half—48 percent—of the $63 billion spent on food stamp benefits since inflation indexing was made part of the program in 1971 has been due to increases in benefit levels, with direct indexing of monthly allotments the single most important cause. Recognizing this, Congress acted in 1980 and again in 1981 to modify food stamp inflation indexing rules in order to control costs. In 1980, Congress replaced semiannual with annual indexing; in 1981, Congress cancelled inflation indexing for fiscal year 1982 and revised the base period for annual inflation adjustments beginning October 1, 1982, and thereafter. Both actions have been important contributors to the much-reduced rate of growth in food stamp spending in 1981 and the leveling off of expenditures in 1982, without taking away or reducing benefits.

As in 1980 and 1981, the Committee continues to believe that, for the next 3 fiscal years, food stamp costs resulting from inflation indexing should be restrained, and proposes to do so by making each of the annual inflation adjustments somewhat less reflective of current inflation, through the October 1984 adjustment.

Food stamp benefits are based on the periodically revised monthly cost of purchasing a low-cost adequate diet using the Department's thrifty food plan. This cost is calculated for a four-person household consisting of two adults and two children and then adjusted for different household sizes and food-price disparities in Alaska, Hawaii, the Virgin Islands, and Guam. Recipients with no countable income receive a monthly allotment equal to the full thrifty food plan cost for their household size; those having countable income receive the thrifty food plan amount *reduced* by a proportion of their monthly income. Under existing law, thrifty-food-plan-based maximum monthly allotments are to be adjusted annually, each October, to reflect food-price inflation through the immediately preceding June, with the next scheduled adjustment in October 1982. They now stand at:

MAXIMUM MONTHLY FOOD STAMP ALLOTMENTS

[January 1981 through September 1982]

Household size	48 States and D.C.	Alaska [1]	Hawaii	Virgin Islands	Guam
1 person	$70	$108	$95	$88	$101
2 persons	128	197	175	161	185
3 persons	183	283	250	230	256
4 persons	233	359	318	292	337
5 persons	277	426	378	347	400
6 persons	332	512	453	416	480
7 persons	367	565	501	460	531
8 persons	419	646	572	526	607
Each additional person	+53	+81	+72	+66	+76

[1] Higher allotments are available in rural areas of Alaska.

Under the Committee's proposal, annual October benefit adjustments would continue to occur. However, rather than reflecting food-price inflation through the immediately preceding *June:* (1) the October 1982 adjustment would show food-price inflation through *March* 1982; (2) the October 1983 adjustment would show food-price inflation through *April* 1983; (3) the October 1984 adjustment would reflect food-price inflation through *May* 1984; and (4) the October 1985 and later adjustments would reflect food-price inflation through the immediately preceding *June*, as under present law. This will mean that, through fiscal year 1985, benefit levels will lag further behind inflation than would be the case under existing law.

The Committee also accepted a proposal by Senator Dole to revise the manner in which each thrifty food plan inflation adjustment is rounded, with the effect that each inflation adjustment will be slightly smaller than under existing rounding rules. Present rules require rounding to the *nearest* dollar at two stages. The cost of the basic four-person thrifty food plan is first adjusted for food-price changes and rounded to the *nearest* dollar. This rounded four-person amount is then adjusted to produce thrifty food plan costs for other household sizes (using a formula reflecting economies of scale), and the resultant amounts for each household size are again rounded to the *nearest* dollar. Under the Committee's proposal, annual adjustments to the cost of the thrifty food plan would be rounded only at the final stage (i.e., after thrifty food plan amounts had been calculated for all household sizes), and the resultant amounts would be rounded *down* to the nearest whole dollar.

THRIFTY FOOD PLAN LEVELS

[4-person household] [1]

	Present law	Committee proposal
Existing level (through September 1982)	$233	$233
October 1982 adjustment	259	251
October 1983 adjustment	277	271
October 1984 adjustment	296	292
October 1985 adjustment	315	314

[1] Source: Congressional Budget Office (CBO). Table reflects CBO inflation assumptions. Includes effects of revised rounding rules.

Income eligibility (Sec. 104)

The Committee adopted an amendment proposed by Senator Dole that would ensure that all participating households have net income, after deductions for certain expenses, below the Federal poverty levels, thereby denying eligibility to an estimated 5,000 nonelderly, nondisabled households.

Under present law, households with an elderly or disabled member must have net income, after deductions for any applicable work, shelter, dependent-care, or medical expenses, below the Federal poverty levels in order to be eligible. Households without an elderly or disabled member must have gross income, before any deductions for expenses, below 130 percent of the Federal poverty levels. This is intended to establish a more liberal income eligibility test for the elderly and disabled.

However, a few nonelderly, nondisabled households having gross income below 130 percent of the poverty levels, and therefore eligible for benefits under existing law, do not have sufficient expenses to bring their net income below the poverty levels and thus are actually put in a better position to gain eligibility than the elderly or disabled. The Committee proposal would correct this situation by requiring that all households, whether they have elderly or disabled members or not, have net income below the poverty levels, although nonelderly, nondisabled households would continue to have the additional limitation of having gross income below 130 percent of the Federal poverty levels.

Coordination of inflation adjustments (Sec. 105)

The Committee's recommendations include an amendment proposed by Senators Dole and Melcher that would coordinate the timing of benefit adjustments made on account of inflation for the 10 percent of food stamp recipients who are also beneficiaries of Social Security, Supplemental Security Income (SSI), Railroad Retirement, or Veterans' programs. The proposal would require that additional income received as the result of Federal cost-of-living adjustments in Social Security, SS,I Railroad Retirement, or Veterans' benefits (each July) would not be counted as income for food stamp purposes until the regular October adjustment of food stamp benefits to reflect changes in food prices.

Due to the lack of inflation indexing coordination between food stamp and other Federal benefits, Social Security, SSI, Railroad Retirement, and Veterans' program beneficiaries lose food stamp benefits in July when their cash income increases as the result of a cost-of-living adjustment. However, food stamp benefit amounts do not reflect food-price inflation until October, at which time benefits are increased.

Under prior law, food stamp benefits were on a July-to-July cycle. The October-to-October food stamp inflation adjustment cycle was established in 1981, partly in anticipation that other indexed programs would also move to this cycle and coordination would be maintained. This did not occur however, and, in order to re-establish coordination among these Federal benefit programs, ease the administrative burden on States by reducing the number of times benefits must be recalculated, and prevent recipients from suffering a temporary loss of benefits, the Committee chose to delay the food stamp program's response to cost-of-living increases in other Federal programs.

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Inflation adjustments to the standard deduction and the ceiling on deductions for shelter or dependent-care expenses (Secs. 106 and 149)

The Committee adopted a compromise proposal by Chairman Helms and Senator Dole to postpone the next inflation adjustment of the food stamp standard deduction and revise rules governing indexing of the standard deduction. By disregarding less recipient income than would have been the case under existing law, these revisions are expected to produce smaller-than-anticipated benefits, through fiscal year 1985, although no benefits already being received will be reduced.

As with inflation adjustments to the cost of the thrifty food plan, inflation adjustments to the standard deduction have been a primary contributor to the growing cost of the food stamp program, and Congress, in 1980 and 1981, acted to modify the indexing rules to delay and limit the size of such adjustments. The standard deduction was instituted by legislation in 1977 to replace a series of itemized deductions which have been previously allowed. This year's Committee action continues to reflect its judgment that costs resulting from inflation indexing should be restrained, in order that benefits already being received need not be reduced under the pressure of Federal budgetary constraints.

The Committee's proposal would: (1) cancel the next scheduled inflation adjustment to the standard deduction (July 1983), thereby postponing it to October 1984 at which time annual adjustments with $85 as the base would be resumed; and (2) revise the manner in which each future adjustment is rounded by requiring that it be rounded *down* to the *nearest whole dollar,* rather than rounded to the *nearest $5 increment.*

STANDARD DEDUCTION LEVELS [1]

	Present law	Committee proposal
Existing level	$85	$85
July 1983 adjustment	90	[2] 85
October 1984 adjustment	100	95
October 1985 adjustment	105	106

[1] Source: Congressional Budget Office (CBO). Table reflects CBO inflation assumptions. Includes the effects of revised rounding rules.
[2] No adjustment.

Use of the food stamp program's standard deduction, now standing at $85 per household per month, reduces the amount of household income that is counted in benefit and eligibility determinations. Its most important effect is in terms of benefit calculations, where it assures that the very lowest income households will be granted maximum or near maximum benefits. However, allowing it to be inflation adjusted, in effect, gives most recipient households approximately $3 more per month in benefits for every $10 increase in the standard deduction aside from the effects of indexing the thrifty food plan itself.

Consistent with its desire to control food stamp costs due to inflation indexing, the Committee has also recommended that the next scheduled inflation adjustment to the $115 per household per month ceiling on duductions that may be claimed for shelter or dependent-care expenses (now set for July 1983) be delayed until Oc-

tober 1983. At that time, annual adjustments would resume with $115 as the base. Further, the rules for rounding future inflation adjustments to this ceiling would be changed so that they would be rounded *down* to the *nearest whole dollar,* rather than rounded to the nearest $5 increment. Both these changes would also conform inflation adjustments to this deduction ceiling to other features of the food stamp program. By delaying the next adjustment to October 1983 the timing of the adjustment would be made the same as that for the cost of the thrifty food plan. By rounding down to the nearest whole dollar, rounding rules would be made consistent for all inflation adjustments.

Standard utility expense allowances (Sec. 107)

The Committee accepted a compromise amendment proposed by Senators Dole and Helms that would limit the use of standard utility allowances when calculating how much of a household's shelter expenses may be deducted from its income for food stamp purposes. The proposed revision would give States the option of using standard allowances and would correct certain flaws in the manner of their application that now permit some households to receive excessively high benefits.

Food stamp recipients may deduct a portion of their shelter costs (including utility expenses) from their income when net income is calculated for benefit or eligibility purposes. For the sake of administrative simplicity, the Department has, by regulation, required States to develop and use "standard utility allowances" when computing a household's overall shelter costs. These standard allowances are used in place of actual utility costs, if the household so chooses, as long as the household incurs some utility expense separate and apart from their rent or mortgage payment. However, the household must be given the opportunity to use actual expenses if they are higher than the standard allowance. The standard allowance in each State is established by the State agency and must be updated annually for changes in utility costs and varied seasonally, if warranted. The standards vary widely among the States. The current standard utility allowances for a household size of four is shown in the following table:

STANDARD UTILITY ALLOWANCE

[Household size of 4]

State	Winter	Summer
Northeast:		
Connecticut	$312	$72
Maine	266	237
Massachusetts	406	193
New Hampshire	557	123
Rhode Island	300	133.83
Vermont	544	314
New York	(1)	(1)
Mid-Atlantic:		
Delaware	197	119
District of Columbia	222	222
Maryland	183	150
New Jersey	333	179
Pennsylvania	156	86
Virginia	100	100
Virgin Islands	77.55	77.55
West Virginia	127	82

STANDARD UTILITY ALLOWANCE—Continued

[Household size of 4]

State	Winter	Summer
Southeast:		
Alabama	96	96
Florida	127	127
Georgia	97	97
Kentucky	216	124
Mississippi	129	129
North Carolina	100	100
South Carolina	100	100
Tennessee	114	114
Midwest:		
Illinois	185	86
Indiana	101	68
Michigan	122	67
Minnesota	254	254
Ohio	158	129
Wisconsin	189	102
Southwest:		
Arkansas	86	86
Louisiana	86	86
New Mexico	125	125
Oklahoma	95	95
Texas	90	90
Mountain Plains:		
Colorado	103	84
Iowa	259	175
Kansas	107	107
Missouri	115	115
Montana	102	102
Nebraska	139	139
North Dakota	107	96
South Dakota	112	195
Utah	83	83
Wyoming	100	88
Western:		
Alaska	240	210
Arizona	109	109
California	81	81
Guam	132	132
Hawaii	116	116
Idaho	217	83
Nevada	133	133
Oregon	208	126
Washington	168	100
Total		

[1] Allowance is different in each county.

This standard utility allowance allows some households to claim a shelter expense deduction (including utility costs) that is higher than their actual outlay and thereby increase their benefits or gain eligibility. In addition, certain features of the current regulations place an unneeded burden on State agencies (i.e., the requirement that the standard allowances fluctuate within a year to reflect seasonal variations).

Other aspects of current regulations unnecessarily increase food stamp costs because they allow households that do not actually incur a regular heating or cooling expense to claim the standard allowance amount and permit more than one household in a residential unit to claim the full standard allowance even though actual utility costs are shared. As noted in the report of the Investigations Staff of the Senate Committee on Appropriations—

> If both households are food stamp recipients, both can be getting the maximum allowance, which will probably total more than the actual cost of the utilities.

The Appropriations investigative staff report indicated another abuse of standard utility expenses.

> Eligibility workers told us that applicants who are not billed for utility services by utility companies separately from their landlords are nonetheless receiving the maximum benefits of the standard utility allowances. For example, the workers explained that to provide the documentation needed to show that they have utility expenses, the applicants give the workers rent receipts which have been annotated to indicate that a specific portion of their rent is a charge for utility services. Regardless of how small the amount indicated on the rent receipt, or how many other households live at the same address, the eligibility workers said they are required by the regulations to credit the applicant with the maximum allowance.

The Committee expects that standard utility allowances that reflect a heating or cooling expense, in addition to not being allowed for households which do not have a separately-charged heating or cooling expense, should not be permitted for households that have their utility charges or costs included in their rent.

The Committee has noted these effects of the current standard utility allowance regulations and several studies that have addressed current procedures requiring States to establish standard allowances and use them in place of actual costs, including those by the Investigations Staff of the Senate Appropriations Committee in November 1980 and the Food Stamp Regulatory Review Task Force in January 1982. The proposed amendment would correct the basic flaws arising from the use of a standard utility allowance.

Under the proposal, the *requirement* for State agencies to develop and use standard utility allowances would be eliminated, and States would be allowed to opt for their use in accordance with regulations prescribed by the Secretary. The Committee recognizes that, in order to reduce the administrative burden of dealing with actual utility bills in all instances, some States may want to have standard allowances; but it should not be a requirement on all States and should be left to their judgment. However, it is the intention of the Committee that States electing to use standard utility allowances should maintain procedures that allow actual utility expenses to be used when a household's expenses exceed the standard amounts, although limitations should be provided on the frequency with which households are allowed to switch back and forth between actual expenses or the standard utility allowance (whichever is higher).

States electing to use standard allowances should be allowed flexibility to design standard allowances that fit their needs. As a result, the Committee has specifically permitted the use of allowances that do not fluctuate seasonally. The Committee intends that States electing to use standard utility allowances maintain procedures that assure that standard allowances reflect current utility costs in the State. States may also continue to use standard utility allowances (that do not reflect a heating or cooling expense) that are reflective of those smaller utility expenses within the State.

Households should not be allowed to claim a full standard allowance for anticipated heating or cooling expense when they do not incur a regular heating or cooling expense or to claim a full allowance when they reside with other households in the same residential unit. The Committee's amendment would prohibit the use of standard utility allowances reflecting a heating or cooling expense where the household does not actually incur a heating or cooling expense, or incurs a heating or cooling expense, but resides in a centrally metered public housing unit where it is charged only for excess utility costs. The Secretary would be able to establish the same limitation for nonpublic housing units where residents are charged only for excess utility costs if such an arrangement exists. The provision adopted by the Committee would also require that any standard utility allowance be prorated where more than one household shares a residential unit, whether or not all households are food stamp recipients. To the extent administratively possible, the proration should fairly reflect the proportion of utility expenses estimated to be borne by each household.

In revising standard utility allowance regulations in response to these amendments, the Committee urges the Secretary to closely examine this area of regulation for further changes, inasmuch as its effect on food stamp costs is substantial. The Committee concurs with the recommendations noted in the Appropriations Committee and Task Force studies mentioned above, including these relating to limitations on switching back and forth between use of actual expenses and the standard allowance, allowing updates of the standard allowances to coincide with benefit indexing (each October), and establishment of maximum allowances by the Secretary or a requirement that States develop their standard allowances using more realistic data than is now used, such as data on actual costs obtained through their quality control reviews.

Limits on financial resources (assets) (Sec. 108)

The Committee recommendations include a compromise proposal advanced by Senator Dole that would bind the Secretary to the basic features of the June 1, 1982, regulations governing what assets eligible households may have. Present law ties the Secretary to the assets regulations existing as of June 1, 1977, and this revision is intended to recognize minor, definitional changes made since 1977 in the assets regulations.

It is also the Committee's intent that the requirement that assets regulations not vary from those in effect as of June 1, 1982, not preclude the Secretary from making any changes in assets regulations. The Committee recognizes that unforeseen problems sometimes arise in implementing regulations and, accordingly, it would permit the Secretary to make minor changes from time to time that are advantageous or necessary to facilitate program operations. Detailed changes, such as defining what constitutes a countable trust fund or the term "fair market value", could occur under the terms of the Committee's proposal.

However, the Secretary would be precluded from making changes in the major provisions of the assets regulations in effect as of June 1, 1982. The Secretary could not, for instance, count the value of burial plots or the cash value of life insurance against the dollar limitation on assets now in the law. Similarly, the Secretary would be barred from counting the value of a home and its sur-

rounding lot, household goods and personal effects, and tradesmen's tools as assets which currently are not counted.

The recommendation adopted by the Committee also includes a Dole provision to specify that individual retirement accounts and pension funds which are accessible to a household should be included in the assets definition. Under present regulations, individual retirement accounts and pension funds are excluded.

The Committee would expect the Secretary to exercise reasonable judgment in defining whether such funds are "accessible" to the household. By accessible pension funds, the Committee means individual retirement accounts, Keogh plans and other plans from which funds can be withdrawn without fiscal penalty. Also, for example, the Committee would not expect that individuals would be required to resign from employment to get access to pension funds (as is required for Federal employees, for instance), but would expect that the assessment of penalties (for early withdrawal of individual retirement accounts, for example) is not a sufficient reason to exempt such funds from inclusion as an asset.

Categorical eligibility (Sec. 109)

The Committee adopted a modified provision sponsored by Senator Dole that would exempt households from the food stamp program's assets test if they are composed entirely of recipients of benefits under the aid to families with dependent children (AFDC) program and have gross monthly income below 130 percent of the Federal poverty levels. This revision is intended to ease the administrative burden on States by eliminating the need to apply two different, though similar, assets tests. At the same time, it maintains the basic integrity of the food stamp program's eligibility rules by preserving the food stamp gross income test.

In implementing this limited provision for AFDC categorical eligibility for food stamps, the Committee intends that States make every effort to assure that the households made eligible, in fact, have gross monthly incomes below 130 percent of the poverty levels. This is particularly important because, as the following table demonstrates, several States have AFDC standards of need that make households with gross incomes above 130 percent of the poverty levels eligible for AFDC.

STATE AFDC ELIGIBILITY LIMITS (150 PERCENT OF NEED STANDARD) AS A PERCENT OF THE POVERTY LINE—JULY 1981

State	150 percent of need standard	Percent of poverty line
Alabama	360	51
Alaska [1]	951	108
Arizona	423	60
Arkansas	410	58
California	902	128
Colorado	568	81
Connecticut	752	107
Delaware	468	66
District of Columbia	722	102
Florida	345	49
Georgia	340	48
Hawaii [1]	819	101
Idaho	940	134

STATE AFDC ELIGIBILITY LIMITS (150 PERCENT OF NEED STANDARD) AS A PERCENT OF THE POVERTY LINE—JULY 1981—Continued

State	150 percent of need standard	Percent of poverty line
Illinois	552	78
Indiana	544	77
Iowa	628	89
Kansas	561	80
Kentucky	352	50
Louisiana	741	105
Maine	783	112
Maryland	489	69
Massachusetts	668	95
Michigan	762	108
Minnesota	780	111
Mississippi	378	54
Missouri	548	78
Montana	496	70
Nebraska	630	89
Nevada	512	73
New Hampshire	588	84
New Jersey	621	88
New Mexico	422	60
New York	772	110
North Carolina	315	45
North Dakota	612	87
Ohio	772	110
Oklahoma	524	74
Oregon	614	87
Pennsylvania	572	81
Rhode Island	630	89
South Carolina	344	49
South Dakota	542	77
Tennessee	326	46
Texas	302	43
Utah	960	136
Vermont	1,214	172
Virginia	508	72
Washington	752	107
West Virginia	496	70
Wisconsin	933	132
Wyoming	510	72

[1] Based on poverty line different from that of contiguous States.

Note: The State needs standards times 150 percent are based on July 1981 for a family of four, and may have changed. The poverty line—$8,450 for a family of four—was published in spring of 1981 based on calendar year 1980. New eligibility limits, based on 130 percent of the poverty line published in spring 1982 ($9,300) will go into effect in the Food Stamp Program on July 1, 1982.

Design and approval of report forms (Sec. 110)

The Committee accepted a recommendation made by the Administration to remove the requirement that the Secretary design or approve changes in report forms used by households not required to file periodic (monthly) reports of their financial and other circumstances. This revision will give States needed flexibility in program administration, and is consistent with the Committee's action removing the requirement for prior Federal approval of changes in State forms, materials, and procedures, in most cases.

The Omnibus Budget Reconciliation Act of 1981 amended the Food Stamp Act to require States to implement a periodic reporting and retrospective budgeting system by October 1983. Under this amendment, most households will have to make monthly reports of their financial and other circumstances. Migrant and sea-

sonal farmworker households and those consisting entirely of elderly or disabled persons are exempt from this requirement. However, they must report any changes in income or other circumstances, when they occur, on a form designed or approved by the Secretary.

In order to provide States with more administrative flexibility, the Committee's recommendation would delegate authority for the design of all nonperiodic report forms to the State agencies.

Reporting requirements (Sec. 111)

The Committee's recommendations include a suggestion by Senator Dole that the Secretary be allowed to waive Food Stamp Act provisions governing periodic (monthly) reporting by food stamp recipients to the extent necessary to permit States to establish food stamp reporting requirements that are similar to those established for recipients of aid to families with dependent children (AFDC) benefits. However, the Secretary could not waive Food Stamp Act provisions relating to which households are *not* required to submit monthly reports.

This revision would make it easier for States to administer monthly reporting requirements for the substantial portion of the food stamp caseload that also receives AFDC payments and, by allowing States to conform the two reporting systems, is consistent with the committee's actions in other areas intended to grant States maximum administrative flexibility. In addition, it would remove an anomaly whereby the Secretary may waive Food Stamp Act provisions governing retrospective budgeting (a system closely linked with the monthly reporting system), but may not waive food stamp reporting requirements.

Employment requirement (Sec. 112)

The Committee adopted a provision co-authored by Senators Dole and Huddleston designed to reinforce the work registration and job search provisions of current law.

The Committee provision specifies in law several practices which are currently in regulation in order to underscore their importance.

For instance, a recipient would have to meet all of the requirements which include: registering for work, meeting the job search requirements; reporting for an interview at the State employment office or other administering agency; providing information on employment status and availability for work; reporting to an employer to whom the person was referred by the employment office or other administering agency; and accepting a job offer. These would now be specifically contained in the legislation. The entire household would be disqualified if any member subject to the work requirements fails to fulfill any one of the requirements. If job search responsibilities are returned to the States, such employment related activities would be allowed the normal administrative funding.

Additionally, the provision increases the current disqualification penalty for failure to comply with job search requirements. By regulation, recipients are disqualified for two months. The provision, as adopted by the Committee, would make the disqualification permanent—until such time as the noncompliant person comes into compliance with these requirements.

The provision also encompasses three earlier provisions adopted by the Committee (described earlier) concerning job search at time of application, public employee strikers, and the time period associated with the voluntary quit and an increase in the disqualification period for the voluntary quit (from 60 to 90 days).

The Committee reasserts its strongly held view that no able-bodied person should receive food stamp benefits unless he or she is willing to work. Current work registration and job search requirements are designed to assure that voluntarily unemployed persons do not participate in the food stamp program. The Committee urges the Secretary to thoroughly reexamine current requirements and make any changes necessary to assure that they are effective. The Secretary should place particular emphasis on requirements applying to those persons working 20 hours a week or less.

The food stamp program is designed to serve persons who are truly in need. In times of high unemployment, increasing numbers of persons turn to the program for interim assistance. The Committee recognizes that there are many persons who are unemployed due to no fault of their own. However, in the interest of minimizing costs to the taxpayer, the Committee believes it is imperative that strict measures be in place to limit participation to those who have no alternative source of income.

It is the intention of the committee to hold hearings in the near future on food stamp participation by able-bodied individuals. Among the issues to be addressed in hearings would be workfare programs, effectiveness of work registration and job search requirements, and alternative approaches to maximizing the employment of able-bodied food stamp participants.

Voluntary quit (Sec. 112)

The Committee adopted a provision from Senator Dole's bill which would increase from 60 to 90 days the disqualification period for recipients and applicants who voluntarily quit a job.

Last year, the Congress acted to apply the sanction for voluntarily quitting a job to both applicants and recipients; previously the sanction applied only to applicants.

West Virginia Governor John D. Rockefeller, IV, noted the rationale for the increase in supporting increased sanctions, "We support the increased penalty for voluntarily quitting a job, recognizing that deliberately leaving a job is very much different from not being able to find one."

As evidenced by Committee action on this and other work-related issues, the Committee believes that increased emphasis should be placed on providing benefits to those who are unable to provide for themselves and less to those, such as in this situation, who have *made* themselves "needy".

The provision also contains a change recommended by the Administration to grant the Secretary the authority to determine when the 90 day disqualification period begins for a household when the head of the household voluntarily quits a job. The current legislative language ties the disqualification period to the date of the quit and presents problems because the penalty period (currently 60 days) may be over before a voluntary quit by a participant is discovered, notice is sent and disqualification of the house-

hold could begin. While tying the start of the disqualification period to the date of the quit should continue for applicants, more flexibility is needed for sanctions for participants. This change would ensure that all households in which the household head voluntarily quits a job would be disqualified for a 3-month period.

Public employee strikers (Sec. 112)

The Committee adopted a provision introduced by Chairman Helms that would prohibit the participation in the food stamp program of public employee strikers who are terminated from their jobs for participation in a strike for 90 days after such termination—the same disqualification used for applicants and recipients who voluntarily quit their jobs.

Last year, Congress enacted legislation designed to reduce substantially the participation of strikers—whether public or private—from eligibility to participate in the food stamp program. Strikers could not become eligible to participate by virtue of the loss of income associated with being on strike. If the household had been eligible prior to the strike, the household would retain its eligibility, but benefits could not increase as a result of the income lost because of the strike.

However, another issue concerning certain categories of strikers received publicity last summer immediately after enactment of the striker prohibition.

Because Federal legislation prohibits strikes against the Federal Government, President Reagan cautioned the then-striking air traffic controllers of the Professional Air Traffic Controllers Union (PATCO) that their failure to return to work would result in their termination from employment. Many PATCO employees were terminated for failure to return to work.

However, because the individuals were no longer "employees" they were no longer "strikers", although popularly referred to as such by the media. Hence, these individuals (who had been terminated for their participation in an illegal strike) were not deemed "strikers" for purposes of the food stamp program and were not precluded from food stamp eligibility. As a practical matter, most former air traffic controllers did not receive food stamps because their assets were frequently above the prescribed limits of $1500. However, reports indicated that many fired controllers attempted to receive food stamps.

While the PATCO situation is one which received considerable attention, the same circumstances prevail with other types of public employee unions. Most State and local governments continue to prohibit strikes by public employees. Some State and local governments use the same enforcement employed by President Reagan last year by terminating employees who persist in striking against the government where such a strike is prohibited.

Termination for participation in an illegal strike would, under the provision adopted by the Committee, be defined the same as a "voluntary quit" and subject the individual to the same disqualification period—which is increased from 60 to 90 days in this legislation.

It is the view of the Committee that a public employee who leaves his job to go on strike has given up the income from that job

of his own volition and voluntarily endangered his continued employment. The Committee believes that a person making such a choice who is terminated because of such participation must bear the consequences of his decision.

Job search at time of application (Sec. 112)

The Committee agreed to a provison sponsored by Chairman Helms and the Administration which would permit the Secretary to require applicants for food stamp benefits, as well as recipients, to comply with job search procedures.

During the period between the application and the certification determination, job search procedures for applicants could be the same as for participants. If they failed to perform required actions, their eligibility would be denied or, if certification action had been completed, their cases would be terminated.

This change is proposed for reasons of equity as well as potential cost savings in that some of the applicants might find jobs making them ineligible for the program or eligible for smaller allotments. Also, some eligible households might be deterred from filing food stamp applications because they would be unwilling to meet the requirement.

The provision is consistent with the Administration's recommendation to require job search at the time of application in the AFDC program as well.

Parents and caretakers of children (Sec. 113)

The Committee adopted a provision contained in Chairman Helms' bill which would require the second parent in a household to register for work when the youngest child reaches age 6—as was required in legislation adopted last year for the first parent.

Both eligibility workers and the Food Stamp Regulatory Review Task Force have noted that the current distinction between one- and two-parent households results in an inequity in work registration and have urged a legislative change. The current law requires that the first parent or caretaker must register for work when the youngest child reaches age 6, as is the case with the aid to families with dependent children program.

However, the Department has established that the second parent need not register for work until the youngest child reaches age 18. Hence, a single mother with two school age children is required to register for work, while another mother, with children the same age, whose husband is already registered for work, need not register until the eldest child reaches age 18.

The following comment from Michael S. Haddad, Assistant Secretary of the Department of Health and Human Resources for the State of Louisiana notes the present inequity:

> Another area of concern is the work registration provision which presently discriminates against the single parent household. Although the farm bill lowered to the age of six the age of a child establishing an exemption for all households, the law would be more equitable if any parent or other household member were required to register for work unless they are responsible for the care of a

dependent child under six years of age. This would require that the second parent register for work when the other parent is employed or otherwise exempt from work registration, thus eliminating the descrimination against the single parent household.

The food stamp program should, as a matter of policy, encourage recipients to work. A second parent should also be required to begin seeking employment when the youngest child enters school—at age 6.

Hours of employment (Sec. 114)

The Committee adopted a modified version of a provision sponsored by Chairman Helms which would increase to 150 hours per month the number of hours which an individual must be working in order to be exempt from work registration under the food stamp program.

The current law establishes a test of 30 hours per week or 30 times the minimum wage. Individuals not otherwise exempted are exempted if they fall within these ranges of employment. The provision adopted by the Committee increases these amounts to 150 hours per month and 150 times the minimum wage.

Employers have reported that it is difficult to get current employees (who are participating in the food stamp program) to work all of the hours which are available to them. Eligibility workers have also confirmed that recipients sometimes decline to work additional hours because they recognize that they are not required to work any longer.

Since most Americans work more than 30 hours per week, the Committee decided to increase the minimum required for food stamp recipients. The 150 hours per month test represents approximately 35 hours per week (based on 4.3 weeks per month).

The Committee is concerned that the maximum number of able-bodied food stamp recipients participate in the labor force. The Department found that only 18 percent of all households in August 1980 had any earned income. Of those able-bodied household heads required to register for work (about 14 percent of all household heads) in November 1979, 75 percent had no earned income. The Department does not yet have more recent statistics.

The Committee hopes that the increase in the minimum number of hours required for exemption from work registration in combination with other work provisions will increase the work ethic in the food stamp program.

Joint employment regulations (Sec. 115)

The Committee accepted a recommendation by the Administration to remove the requirements that food stamp work registration and job search regulations be issued jointly by the Departments of Agriculture and Labor and that they be patterned after those issued for the work incentive (WIN) program. This amendment would facilitate the Administration's plans to allow States flexibility in administering work registration and job search requirements, potentially through agencies other than Labor-Department-supervised State employment services offices.

The deletion of the requirement for the Department of Agriculture to receive Department of Labor concurrence of food stamp work registration regulations will in no way repeal the authority for demonstration agreements existing between States and the Department of Health and Human Services (HHS) for the work incentive (WIN) program. Further, this deletion does not alter the need to make food stamp work requirements as consistent as possible with WIN requirements within the constraints of this legislation. To the contrary, consistency with WIN will be of increased importance as the responsibility for any food stamp work registration functions shift to the State agencies which are now handling similar functions for their public assistance cases under the WIN demonstrations.

Post-secondary students (Sec. 116)

The Committee's recommendations include an amendment proposed by Senator Boren that adds to existing restrictions on food stamp participation by post-secondary students enrolled at least half time. The proposal would retain eligibility, if the student met other food stamp tests, for a postsecondary student who is: (1) not physically or mentally fit; (2) age 18 or younger; (3) age 60 or older; (4) a parent with the responsibility for care of a dependent child under age 6; (5) a recipient of aid to families with dependent children (AFDC) benefits; (6) working at least 20 hours per week; or (7) participating in a Federally financed work study program. However, it would remove eligibility for the approximately 10,000 post-secondary students who, under existing law, qualify simply because they have a dependent spouse or school-age dependent children.

This recommendation further tightens food stamp rules governing participation by college and other post-secondary students who may have voluntarily placed themselves "in need" by foregoing regular employment and choosing schooling instead. Students who are working (or in a work study program), those who would not normally be called upon to register for and accept employment under food stamp work registration and job search provisions (18 or younger, 60 or older, or caring for very young children), and those for whom education may be a way off welfare rolls (AFDC recipients) are the only categories that would remain eligible under the new rules. As a result, the post-secondary student rules would be made consistent with other provisions in the Act emphasizing that citizens should look to employment rather than food stamps for support.

In view of the fact that the number of hours in work study vary from State to State, the Secretary should reexamine the work study regulations to consider whether a minimum number of hours for participation in work study per week should be established. The Committee expressed concern that for instance, a student working in a work study program 1 or 2 hours a week should not satisfy the work requirement for students.

Aliens (Sec. 117)

The Committee adopted a provision introduced by Chairman Helms which would require that all of the income and assets of an

ineligible alien count in determining a household's eligibility and benefits, not less a pro-rata share as under current law.

Illegal or temporarily resident aliens are not permitted to participate in the food stamp program. Congress adopted legislation in 1980 to require that the income and resources of ineligible aliens who live with eligible food stamp recipients should be counted in determining the eligibility and benefit levels for the remainder of the household.

However, the provision, as adopted, stated that all but a pro-rata share of the alien's income should be counted. A proration of the alien's income may understate the true income picture of the household's circumstances, particularly when, as is frequently the case, the alien is the primary wage-earner. Additionally, because there is no way to ensure that food stamp benefits received by the household are not used by the ineligible alien, all of the income of ineligible aliens residing with the household should be counted.

The Department recently proposed regulations requiring the counting of all of the income and assets of ineligible residents of a household in the case of individuals made ineligible by fraudulent participation. During their period of ineligibility, all of their income and assets are now included in the eligibility and benefit determinations for the remainder of the household who remain in the food stamp program. The Committee's change with respect to aliens is consistent with this policy and with the recommendation earlier this year of the Food Stamp Regulatory Review Task Force.

Prorating benefits at recertification (Sec. 118)

The Committee accepted a proposal by Chairman Helms to allow the prorating of benefits, following *any* lapse in participation, according to the date of application.

In 1981, Congress established a system whereby benefits for the month of application are prorated according to the date of application: e.g., a household applying halfway through the month would receive a half-month's benefit as its initial allotment. Previously, applicants had received a *full* first month's benefit, even if they applied at the very end of the month.

But, with the implementation of this new rule, administrators and eligibility workers have noted a similar problem in relation to benefits for those recipients who have not reapplied in a timely manner before their eligibility certification has expired. Households whose eligibility has expired, and who have not reapplied, have been terminated from the program and *should* be treated as new applicants (i.e., have their benefits for the month of application prorated). However, the language of the current proration provision allows households who come in up to 30 days after their certification has expired to reapply and receive a *full* month's benefits.

The Committee's recommendation would close this loophole, by allowing proration upon any lapse of participation (even if less than 30 days), in order to achieve two useful objectives. An extension would establish equity. Recipients whose eligibility has ended should be treated just as new applicants, unless they make a timely reapplication prior to losing eligibility.

Secondly, the provision would improve overall administration of the program. Administrators often experience problems in getting recipients to report for their recertification appointments on time. Frequently, appointments are not kept, but recipients know that they will nonetheless receive a full month's benefits, even if they do not reapply before their certification has expired, as long as they reapply within the next month. Allowing proration of benefits when timely reapplication has not been made would encourage timely reapplication and ease the administrative burden of constantly rescheduling recertification appointments.

One of the most frequently mentioned regulatory limitations mentioned in the letters to the Chairman has been that of requiring local officials to take the initiative to set up a second interview—both for certification and recertification when the recipient fails to come in for the first interview. The current regulations require the State to initiate contact to establish another interview appointment. In light of the other demands on caseworkers, however, and in view of the recipient's own interest in establishing or renewing his eligibility, it seems unnecessary and unreasonable to require the agency to initiate cumbersome procedures to set up a second appointment. The Committee would urge the Department to reconsider this policy with a view toward providing more recipient responsibility in the certification and recertification process.

Penalties for noncompliance with other program requirements (Sec. 119)

The Committee's proposal includes a compromise amendment, similar to revisions proposed by Chairman Helms and Senator Dole, and would prohibit any increase in food stamp benefits to households on which a penalty, resulting in a decrease in income, has been imposed for intentional failure to comply with a Federal, State, or local welfare law.

Under present law, when another program penalizes a food stamp recipient household with a decrease in cash benefits for intentional failure to comply with its requirements (e.g. intentional failure to report income or intentional disregard of a workfare requirement), food stamp benefits *increase* because the household has less income. In effect, the food stamp program mitigates the effect of penalties for intentionally disregarding other programs' rules and makes those penalties less effective as a deterrent.

Substantial testimony before the Committee has indicated that the food stamp program should reinforce, not mitigate, the penalties imposed by the other programs that food stamp recipients also participate in, and the Committee's amendment would do so.

As Mr. Bert Smith, Director of the Fraud Division of the Vermont State Department of Social Welfare, noted:

> * * * I believe that no household should benefit in one program from being convicted of fraud in another. Currently, if an individual is convicted of fraud in the AFDC program, recovery is taken from the (AFDC) grant, resulting in an increase in the food stamp allotment. This situation is created since we must consider the AFDC grant, minus the recoupment the agency is taking, when we

> figure income for food stamp purposes * * * I suggest this serves as no deterrent to fraud.

In a letter to the then-Deputy Administrator for Family Nutrition Programs, Alberta C. Frost, Franklin R. Joseph of Danville, another witness, wrote about this policy:

> In reality the money owed because of a fraud situation is a debt that the client owes and should be treated like any other debt and therefore the full amount they are entitled to before the deduction should be counted as income.

House-to-house trade routes (Sec. 120)

The Committee adopted a compromise provision designed to provide the Secretary with sufficient authority to limit the participation of house-to-house trade routes—so-called "rolling stores"—in the food stamp program if the Secretary finds that their participation damages the integrity of the food stamp program.

The Committee is concerned by reports about abuses of the Food Stamp Act and regulations by house-to-house trade routes. The Committee noted a report received from the Auditor General of Florida about the problems encountered in Dade County (Miami), Florida in which bogus operators sought and obtained Food and Nutrition Service approval as a retail store when, in fact, the "store" was merely a front for legitimately processing food stamp coupons obtained through theft or trafficking.

Florida's Auditor General, Ernest Ellison, noted in a report published September 4, 1981, the following scenario of abuse in the Dade County (Miami) area:

> During the period January 1 to June 30, 1981, this Office's Division of Public Assistance Fraud and the USDA's Office of Investigations assisted and cooperated with the Dade County Public Safety Department in an investigation involving "rolling stores." The investigation began when a printing company in Miami called to report that someone was attempting to have printed food stamp identification cards. As a result of the investigation the court issued arrest warrants for two people. They allegedly established fictitious businesses and had them certified by the U.S. Department of Agriculture, Food and Nutritional Service as eligible to redeem food stamps and deposit them in a bank for cash reimbursement.
>
> Evidence gathered indicates that these fictitious businesses did not sell food items or nonfood items. It appears they were established for the purpose of cashing in the food stamps alleged to have been obtained fraudulently from the Department of Health and Rehabilitative Services' Food Stamp Offices. This subject is discussed in more detail in paragraphs following under this heading in this report.
>
> Based on sworn testimony received from one of the two people arrested for allegedly establishing a fictitious "rolling store," getting certified as a "rolling store" for the purpose of participating in the food stamp program was

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simple. In the USDA certification process for the fictitious businesses in question, essentially no inspection took place to determine the physical existence and that participation in the Program would further the purpose of the food stamp program.

In getting the fictitious businesses ("rolling stores") certified, the individuals in question purchased occupational licenses for $30 each in the name of the fictitious business. Advertisements were then placed in Dade County Newspapers of "Intent to Run a Business" under the stated business name, as required by law. The individual would then take the license and copies of advertisements to USDA FNS, in Miami, and complete an application to have the fictitious business certified eligible to accept and redeem food stamps from food stamp recipients. At least two such fictitious businesses were found to have been established. Borrowed automotive vans were determined to have been taken by the individuals to the USDA Office for inspection as a "rolling store" business. Available documentation indicates that when one of the vans was inspected, it had two coolers in it, but no food products. We were shown no documentation as to the inspection results for the other van. In fact it may be possible that same van was used for both inspections.

After the people received the written certification from USDA, which in essence stated that they were authorized to participate in the Food Stamp Program and to redeem food stamps, the certification was taken to a local bank and a bank account was opened in the name of the fictitious business. As all food stamps must be cleared through a bank before going to the Federal Reserve for reimbursement, it is necessary that banks have on file this certification prior to allowing people to deposit food stamps in the account. Through the review of bank records for several bank accounts, the investigation revealed that for the two fictitious businesses known to have been established a total of approximately $300,000 in food stamps was converted to cash.

The magnitude of the problem with fictitious businesses is not completely known, but it could very well be significant. Based on an earlier investigation by this Office, another person in Dade County has been arrested on an outstanding warrant for probable food stamp fraud. It now appears likely that this individual also had established at least one fictitious business. As a matter of fact, one of the people arrested indicated in sworn testimony that the establishment of another fictitious business was in process at the time of her arrest.

In view of the foregoing, the USDA should review and amend, if appropriate, its regulations and policies to provide for better documentation and physical verification necessary to authenticate "rolling stores" and "route sales" businesses to be certified eligible to receive and redeem food stamps. Provisions should be made for proper

> enforcement of policies and procedures to assure positive proof that merchandizable items are being sold by these businesses for the purpose of enhancing the food stamp program.

The Inspector General of USDA has indicated that he believes FNS should tighten its application review process for rolling stores.

Most reports of abuse center around urban areas, and the Committee would expect the Secretary to concentrate his resources in these areas. The Secretary should respond to reports about patterns of abuses, such as reported in Dade County, Florida, rather than to isolated or minor incidents.

Before limiting the participation of house-to-house trade routes, the Secretary should evaluate the importance of the availability of this service to recipients in those areas in which restrictions are contemplated. The Committee would expect the Secretary to exercise caution in limiting house-to-house trade routes that serve housebound participants or participants who have difficulty in leaving their homes to purchase food, such as recipients who live in high crime areas.

Additionally, because of the mobile nature of the rolling stores, the Committee recognizes the verification difficulties which arise. Therefore, the Committee encourages the Secretary to reexamine the "rolling store" regulations to determine if further verification or other tightening of the regulations should be undertaken.

Approval of State plan of operation (Sec. 121)

The Committee adopted a provision from Chairman Helms' bill which would eliminate the current regulatory requirement that State agencies submit for prior approval State agency instructions, interpretations of policy, methods of administration, forms, or other materials, unless the State determines that they alter or amend its plan of operation or conflict with the rights and levels of benefits to which households are entitled. In the latter instance, Food and Nutrition Service prior approval would be continued. The provision is intended to permit greater State flexibility in the administration of the food stamp program.

Numerous States have complained to the Committee about the excessive oversight which the Department of Agriculture currently exercises over States in the area of publications. Currently, State administrators must submit even the most minor minutia to regional or national Food and Nutrition Service offices for approval.

Both State and Federal officials have more important considerations than having to determine whether the exact wording or style of a brochure, form, or announcement is acceptable to the Federal Government.

As noted last year, by the Tennessee Commissioner of Human Services, Sammie Lynn Puett:

> It is obvious, I think, that this excessive oversight and monitoring has not produced an efficiently administered program, but instead has created a bureaucratic nightmare that produces tons and tons of paper, and siphons off enormous amounts of time, energy, and money to comply with administrative directives * * *

> So all encompassing have the checks on the program become that in March of last year the Food and Nutrition Service published final regulations requiring States to establish an organization entity within the State to coordinate the data generated by all audit and review activities. The data are to be analyzed and submitted to FNS for approval of monitoring as an openended corrective action plan for both State- and County-level operations. At the present time more than 68 separate items are incorporated into the State-level plan.
>
> It is hard to believe that we have created a system to monitor other systems that are evaluating the food stamp program.

Other States have also voiced concerns about delays resulting from awaiting FNS approval of even the most minor internal publications, forms, manuals, bulletins, etc.

The following letter from Mary P. Loepp, another witness from last year, elaborates on the need for flexibility.

> A second improvement would be to expand State flexibility to design and implement basic operating procedures, monitoring criteria, and corrective action planning. USDA has elaborate guidelines for all facets of program operation, and requires prior approval of forms, notices, and other written material prepared by the State to convey policy and information to staff and clients. The Federal Government should continue to develop and disseminate policy which is uniform throughout the United States. USDA should continue to monitor State implementation and compliance with that policy. States, however, should be able to issue operating procedures, design their own monitoring, and corrective action systems, and communicate with clients without USDA's prior approval. It is encouraging that USDA is beginning to relax some of its control over operating procedures. Congress should encourage them to proceed in this direction.

The Committee's recommendation is intended to address these and other concerns from State administration. The Committee expects the provision to improve State agency administration and simultaneously to allow FNS to concentrate resources on more essential elements of the program.

Bilingual personnel and printed material (Sec. 122)

The Committee adopted a provision contained in the bill introduced by Chairman Helms to eliminate the Federal requirement that States maintain bilingual personnel and printed material for areas of the State in which a substantial number of members of low-income households speak a language other than English. In place of the requirement, the Committee adopted a provision specifying that States may have the option of using such bilingual services. States opting to use bilingual personnel or material could be reimbursed through regular administrative cost-sharing.

The Food and Nutrition Service has promulgated detailed rules and regulations in recent years establishing detailed procedures to determines what areas of a State must be furnished with bilingual personnel and material.

The Committee believes that States are best able to judge to what extent such bilingual services are needed without edicts and oversight from the Federal Government.

While the Committee commends the present Administration for attempting to relax the degree of specificity in the bilingual regulations, the Committee believes that States should have total discretion in such decisions.

It is anticipated that State agencies might continue to employ bilingual personnel and use bilingual material especially where they feel it effective and cost efficient, but such judgments would be made entirely at the State and local level.

Points and hours of certification and issuance (Sec. 123)

The Committee adopted a recommendation contained in Chairman Helms' bill which eliminates the Federal statutory requirement that the Food and Nutrition Service approve the locations and hours of operation for food stamp certification and issuance offices in each State. Such requirements are generally referred to as "points and hours" rules.

The Federal requirement originated in the mid-1970's based on information that States were not providing adequate access to food stamp households or applicants seeking to apply for food stamps during a period in which the caseload was rapidly expanding. However, since that crisis has passed the Federal legislation which remains in effect has resulted in regulatory overkill. States must obtain Federal permission to change hours, close or consolidate offices. Current Federal regulations for points and hours consume seven pages of the Federal Register.

Numerous States have noted the problem posed by existing regulations. For instance, Texas and Connecticut petitioned the President's Task Force on Regulatory Relief in 1981 specifically to eliminate this onerous provision.

As Texas noted in its recommendations to the President's Task Force—

> A massive amount of paperwork and record keeping has been required for Texas, as all 254 counties are treated individually under these regulations. Since implementation, the maintenance of effort provision alone has consumed an estimated 20 hours per week of professional staff time at State office levels. When added to staff involvement at the Federal and local levels, the time and effort involved in carrying out these regulations represent excessive and meaningless paperwork requirements. States are responsible for administering the program and should have the flexibility to do so in the most efficient and effective manner to meet their particular needs.

States that change their administrative systems—for instance from a county-administered to a State-administered program—experience hardship.

The State of Wisconsin, in a letter to the Chairman, noted that States should be allowed "to organize certification and issuance of services based upon State cost effective and efficiency studies. Currently State agencies require FNS approval before reducing the number of hours of certification and issuance services in each project area and the number of certification sites in each project area below the numbers available in January 1980."

Elimination of this unnecessary requirement will better enable the Food and Nutrition Service to allocate Federal resources. The Committee believes that by eliminating the Federal requirement and returning such decisionmaking to the States, improved flexibility and administration of the program will result. State and local administrators can be expected to be best able to judge the needs of their citizens—without Federal oversight—and to accept responsibility for establishing and maintaining reasonable office locations and operating hours.

Authorized representatives (Sec. 124)

The Committee adopted a modified version of a Helms provision to permit the Secretary to restrict the number of households an individual may be authorized to represent and to establish criteria and verification standards for "authorized representatives" and those households which may be permitted to designate a representative.

The present Food Stamp Act provides that any applicant may be represented in the certification process, the issuance of food stamps, or the purchase of food with food stamps by a person other than the actual applicant.

This has led to reports of cases in which an "authorized representative" was in reality creating an applicant (or applicants) on whose behalf he was appearing.

The following example reported by the Auditor General of the State of Florida points out the problem:

> It has been our experience that where large scale rip-offs or thefts have existed in the Food Stamp Program, the regulations dealing with authorized representatives continue to be a factor. The intent of the regulations is admirable, that being to assist elderly program recipients who are unable to get to the Food Stamp Office to pick up their food stamps. However, at this time, there is no limit as to the number of food stamp recipients for which one person may serve as an authorized representative. Conceivably, one person may serve as an authorized representative for 20 to 30 or more food stamp recipients serviced by one office or several different offices. We recommend that USDA consider implementing stringent requirements for the use and proper identification of authorized representatives in the Food Stamp Program. This appears to be of great significance since the majority of the food stamps obtained by the individuals arrested were in fact obtained by creating fictitious food stamp cases [recipients] and having authorized representatives pick up the food stamps at the various Food Stamp Offices.

The underlying need for an "authorized representative" provision was to assist primarily the elderly and others who may be unable to make application because of employment conflicts, or health or transportation problems. However, in practice, there is no limitation on what types of households may use an authorized representative, or the number of individuals for whom an individual may serve as "authorized representative".

Abuses of the current authorized representative provision were also cited in the report of the Food Stamp Regulatory Review Task Force issued earlier this year. The report contained recommendations for changes submitted by work groups comprised of State and local agency food stamp officials as well as representatives of the Food and Nutrition Service and the Office of Inspector General of the Department of Agriculture.

The Task Force report includes recommendations that the number of households an authorized representative may represent should be limited to three households and that the State should have the flexibility to refuse a desginated representative for good cause and to impose other restrictions on authorized representatives. The Task Force Leader recommended that State and local government employees be prohibited from serving as an authorized representative and that local and State offices maintain files on authorized representatives to ensure compliance with the limits.

Additionally, the Task Force recommended that in those areas using photo identification, the State agency should have the option of requiring both the head of the household and the authorized representative to sign the photo identification card, regardless of whose photo appears on the card. (Current regulations provide that either the head of the household or the authorized representative should sign the photo identification card, depending on whose photo appears on the card.)

The Committee is also concerned with reports of abuse by private nonprofit institutions operating a drug or alcoholic treatment program. The authorized representative system is one of the provisions of the Act which such institutions have been charged with abusing. Under current practice, the drug and alcoholic rehabilitation centers or employees thereof are often designated as authorized representatives. The new authorized representative provision adopted by the Committee would give the Secretary the ability to limit the designation of such institutions or their employees as authorized representatives.

The provision, as adopted by the Committee, does not specify the precise limits which may be established for authorized representatives, but rather delegates to the Secretary the responsibility for establishing guidelines to reduce the abuses of this provision by both households and those representing them.

Disclosure of information (Sec. 125)

The Committee accepted a recommendation made by the Administration that changes the present law limiting disclosure of information about food stamp recipients only to those charged with administering and enforcing the food stamp program, the Comptroller General of the United States, and law enforcement officials investigating violations.

Under the proposed amendment, information about food stamp recipients could also be disclosed to officials charged with administering or enforcing other Federal assistance programs or federally assisted State programs. Because food stamp recipients are often recipients of other types of assistance, this revision of food stamp law should substantially aid in maintaining the integrity of other assistance programs and stopping abuse of other forms of government aid.

Expedited coupon issuance (Sec. 126)

The Committee adopted a Dole provision changing the provisions of the Act governing who must receive food stamp benefits on an expedited basis. Under the Committee commendation households would be judged in need of immediate aid as long as they do not have liquid assets of more than $100, if (1) they have gross income of less than $85 per month, or (2) are a destitute migrant or seasonal farmworker household. State agencies would be required to give expedited service to these households when they have verified, to the extent practicable, the income and cash resources of the household. The Committee's provision also increases the time in which applicants qualifying for expedited benefits must be served to 5 days.

Present law and regulations provide that households be given expedited service in two types of situations. If a household's monthly income is zero, after all available deductions have been subtracted from its gross income (for example, after the $85 standard deduction and any earned income deduction have been subtracted out), the household is to receive benefits on an expedited basis. Or, if a household is "destitute" because its only income for the month of application (1) was received prior to application and was from a source that has been terminated, or (2) is from a new source from which less than $25 is to be received in the 10 days following application, the household must receive expedited service. Expedited service is currently defined by the Secretary to mean the provision of a food stamp allotment within 3 working days of application.

The existing expedited service system has created administrative difficulties and opened up a potential for abuse that the Committee feels should be remedied. The following chart, provided by the General Accounting Office, delineates what percentage of cases each month are processed as expedited.

Given the short time allowed for a State agency to make a determination as to a household's eligibility for expedited benefits, the complexity of the present rules makes errors probable and impedes the ability of the agency to verify important information before making its decision.

Percent of new cases receiving expedited service

Alabama	(1)
Alaska	40
Arizona	25
Arkansas	20
California	(1)
Colorado	(1)
Connecticut	12
Delaware	75
District of Columbia	28

Florida	24
Georgia	26
Hawaii	5
Idaho	44
Illinois	36
Iowa	7
Kansas:	
Rural counties	35
Urban counties	65
Kentucky	43
Louisiana	[1]
Maine	[2]
Maryland	36
Massachusetts	55
Michigan	11
Minnesota	24
Mississippi	[1]
Missouri	15
Montana	[1]
Nebraska	[1]
Nevada	18
New Hampshire	10
New Jersey	14
New Mexico	[1]
New York	[1]
North Carolina	[1]
North Dakota	[2]
Ohio	[1]
Oklahoma	14
Oregon	[1]
Pennsylvania	[1]
Rhode Island	30
South Carolina	6
South Dakota	[2]
Tennessee	67
Texas	60
Utah	40
Vermont	4
Virginia	[1]
Washington	25
West Virginia	[1]
Wisconsin	70
Wyoming	33

[1] Information not available.
[2] Under 10.

Just as important, the use of a net, rather than gross income standard, the lack of any standard as to liquid assets, and the loophole opened up by the "destitute household" rule have made expedited service an often noted area of abuse. Households with significant income and other resources and access to food can now often qualify for expedited service, even though their resources should be sufficient for their food needs during the 10 to 20 days it normally takes for a full eligibility determination and benefit issuance process to be completed, with more complete verification. If their income is less than the standard deduction amount ($85), they are automatically eligible for expedited service. If their income is earned, they can have an income up to $106 and be eligible for expedited benefits. If, in addition, they have shelter expenses of, perhaps, $75, they can have income of up to $165 and still qualify for expedited treatment. Households with $300 or $400 in cash can qualify for expedited benefits, if the cash is not "income," but, perhaps, in a savings account. Households with significant cash re-

sources or access to food supplies can enter the program on an expedited basis if they have just lost a job or are awaiting income.

In some cases, households have applied for expedited treatment when they come up for a regular recertification of eligibility. To address this repeated use of expedited processing, the Committee adopted a Boren provision to specify that States may not be required to provide expedited more than once in any 6-month period (except in cases of destitute migrants or seasonal farm workers).

The Committee's changes in the requirements for expedited service that will place reasonable limits on its availability and make it much easier to administer and verify important factors. A simple gross income test ($85 per month) would be established, consistent with Congressional action in 1981 to set a gross income test for regular eligibility thus making the calculation of deductions unnecessary in judging eligibility for expedited benefits. The "destitute household" rule in existing regulations would be retained only for migrant and seasonal farmworker households, where it is most useful given the mobility of these households and the likelihood that they will be between jobs for significant periods of time. But, in either case, no household with liquid assets of more than $100 could qualify for expedited service. In order to qualify for expedited benefits, households would, of course, also have to meet the regular food stamp eligibility tests.

These changes should substantially reduce the overuse and abuse of the expedited service procedure by limiting its availability to those who are really in immediate need of aid because they have no access to resources to meet their food needs. With some of the burden of verification lifted by the new, simpler tests for expedited service, it should be possible for State agencies to more carefully verify eligibility for this speedy treatment and overall eligibility. The Committee's recommendation would require, to the extent practicable, that State agencies verify income and cash resources. However, they should not be precluded from maximum efforts to verify important factors such as household size and residence and the Committee would expect that State agencies would be allowed to make collateral contacts needed to verify basic information.

Termination or reduction of benefits upon notice (Sec. 127)

The Committee's bill includes a provision suggested by Chairman Helms and Senator Dole that would authorize State agencies to promptly reduce or terminate benefits where a clear, written statement has been received from a recipient that would require a reduction or termination. This proposal was adopted by the Senate in 1981 as part of S. 1007, the Food Stamp and Commodity Distribution Amendments of 1981, and would remove an anomaly whereby households actually have difficulty getting *off* the food stamp program.

Under existing law, the Department has established a requirement that there be a 10-day notice of adverse action: State agencies must provide recipients with 10 days notice that benefits are about to be reduced or terminated in order that the affected household may request a "fair hearing" to appeal the decision. However, the 10-day adverse action is required even when the State agency has clear information warranting a reduction or termination of bene-

fits; often, the recipient has even supplied the information (e.g., a change in household size or income).

As a result, the 10-day adverse action notice requirement, even when the recipient has clearly informed the administering agency of the change in circumstances that produces the revised or terminated benefits *precludes* the agency from making a change in benefits until at least 10 days later. This often means that the household receives the same food stamp allotment for a month longer than circumstances would justify because of conflicts with the schedule for issuing benefits, as noted in a letter to the Chairman from several eligibility workers in Buncombe County (Asheville), North Carolina:

> The * * * adverse action period should be waived in cases where it is clear that the client is no longer entitled to, or no longer desires, the same level of benefits. Our county alone could save thousands of dollars every month if this simple change were enacted.
>
> "Currently, if a client reports a change in circumstances which would result in decreased food stamp benefits, and ten (10) working days aren't left in the current month, we are not allowed to make the change effective until the second month following the time the change was reported. The [current] stipulation is to give the client time to request a hearing if he thinks his decrease in benefits is unfair. In actuality, very few clients make such a request, and the rule is exceedingly difficult to work with. If we could decrease a client's benefits as soon as we knew of a change, the client could still request a hearing later, if he so desired, and the government could save considerable sums of money.

The Committee's proposal would rectify this situation by permitting an immediate reduction or termination of benefits upon receipt of a written statement from the recipient household that clearly calls for such action, *without* having to wait out the 10-day notice period. The provision would also allow a State agency in such an instance to provide notice of the agency action to the household as late as the date on which the action becomes effective. The right to a fair hearing appeal would, of course, be preserved, but prompt adminsitrative action (and the consequent savings) would not be thwarted in the overwhelming number of cases where the recipient has provided the information used to make a benefit adjustment.

Duplication of benefits in more than one jurisdiction of the State (Sec. 128)

The Committee accepted a recommendation offered by Chairman Helms which would require States to establish systems to prevent or detect multiple participation in the food stamp program within each State.

According to the General Accounting Office, approximately 19 States currently have no system whatsoever to ensure that food stamp recipients do not receive food stamps in more than 1 county or other political subdivision within a State.

A number of States have been doing increasingly sophisticated work in computer matching to detect duplicate participation across State and other jurisdictional lines. However, in many other States there is not even an elementary system to ensure that the recipient is not concurrently a recipient in another jurisdiction within the same State.

This type of fraud is particularly distressing inasmuch as it would not be detected in the quality control error rate analysis. Hence, in those 19 States with no checks for duplicate participation, the overissuance error rate could be even higher than the error rates reported in those States.

The President's Council on Integrity and Efficiency, various Inspector Generals, and State officials have reported that computer matching of data from different sources is an effective way of detecting errors in distributing food stamp program and other income security benefits. To date, the most common type of matching has involved checking on applicant-reported earned and unearned income. This emphasis is consistent with the Inspector General's finding that underreporting of income is the number one problem in the food stamp program.

Although not required by the Committee's provision, application of computer technology in implementing the provision adopted by the Committee would prevent individuals from receiving excessive program benefits through multiple applications or being counted as members of more than one participating household.

The General Accounting Office recently identified 38 States which have a statewide computer system, 32 of which made periodic tests to prevent or identify multiple participation based on the head of household's name and social security number. Twenty-eight of these 32 States reported that they make such a test at the time an individual applies for benefits. About a third of these 32 States reported that they could also determine whether any other household member besides the head of household was receiving multiple benefits by being counted as a member of more than one participating household.

The elimination of multiple participation in the food stamp program is an essential component of improving the integrity of the program and on which the Secretary should focus attention.

Following is the list of States identified by the General Accounting Office as having a statewide computer system and whether they test for multiple participation, as well as the current plans for computerization of those States without statewide computer capability.

States with a statewide computer system for the food stamp program

State	*Did State test for multiple participation?*
Alabama	Yes.
Alaska	Yes.
Arizona	Yes.
Arkansas	Yes.
Connecticut	Yes.
Delaware	Yes.
District of Columbia	No.
Florida	Yes.
Hawaii	No.

	Did State test for multiple participation?
Idaho	Yes.
Illinois	[1] Yes.
Indiana	Yes.
Iowa	Yes.
Kansas	Yes.
Kentucky	Yes.
Louisiana	Yes.
Maine	Yes.
Massachusetts	Yes.
Michigan	Yes.
Missouri	Yes.
Nevada	Yes.
New Hampshire	Yes.
New Jersey	Yes.
New Mexico	Yes.
Oklahoma	Yes.
Oregon	Yes.
Pennsylvania	No.
Rhode Island	Yes.
South Carolina	No.
South Dakota	Yes.
Tennessee	Yes.
Texas	No.
Utah	Yes.
Vermont	Yes.
Washington	Yes.
West Virginia	No.
Wisconsin	Yes.
Wyoming	Yes.

[1] Testing limited to food stamp recipients who also receive benefits under the Aid to Families With Dependent Children Program.

States That Reported Not Having Statewide Computer Capability for the Food Stamp Program and Their Progress in Developing Such Systems

STATUS

California—In early stages of developing a statewide system which is expected to be operational by 1986.

Colorado—Plans to have its four major metropolitan areas on a central computer system by the end of 1982. Further computerization is contingent on State funding.

Georgia—Statewide system is to be operational by the end of 1982.

Maryland—Depending on the availability of Federal financial assistance, a planned statewide system could be operational within 18 months.

Minnesota—State had no plans to develop a statewide system.

Mississippi—Submitted its plans to the Service. If approved, the system could be operational in 3 years.

Montana—Anticipates a statewide system to be operational in January 1983.

Nebraska—Statewide system scheduled to be operational by July 1983.

New York—The statewide system is operational for all locations except New York City. State officials indicated that the city will be included in the State system by June 1983.

North Carolina—Plans to have a statewide system operational by October 1983.

North Dakota—Plans for a statewide system have been developed but not yet approved by the State.

Ohio—No specific plans for a statewide system have been developed.

Virginia—Planning a study for a statewide system.

Several States and local officials, predominantly from heavily tourist-oriented areas, have noted that the current requirements for "residency" established in current food stamp regulations are both too vague and too lenient, enabling some individuals to apply for and receive food stamps during short stays in these areas. The Committee urges the Department to reexamine these regulations and revise as necessary to address these concerns.

Certification systems (Sec. 129)

The Committee adopted a modified version of Chairman Helms' provision to make optional, at the discretion of the State, the current requirements that aid to families with dependent children (AFDC) and general assistance households must have their food stamp application contained in their AFDC or general assistance applications and that food stamp applicants must be certified for participation in the food stamp program based on reasonably verified information in their public assistance or general assistance case files.

The provision is designed to address some of the concerns expressed by State and local officials about the specificity of Federal requirements in applications by reducing such requirements.

The Committee's provision retains the current requirements that single interviews be conducted to determine eligibility for AFDC and food stamps, and that Supplemental Security Income recipients be able to apply for food stamps at the social security office through a simple application and be certified eligible based on information in the social security files.

Duplication of coupons and alternative assistance (Sec. 130)

The Committee adopted a recommendation by Chairman Helms which was a compromise of a provision in his bill and that of Senator Dole to eliminate the possible duplication of food stamp assistance going to households receiving cash benefits in lieu of food stamps. The provision, as adopted by the Committee, would require the Secretary to have States "conduct verification and implement other measures" to ensure that duplicate participation does not occur. The Secretary must require that investigation for duplicate participation be undertaken no less than annually.

The vast majority of food stamp households receive food stamp coupons—in $1, $5 or $10 denominations—which are used to purchase food. However, the Food Stamp Act does permit certain limited categories of households (who are receiving other forms of public assistance) to receive their assistance in the form of cash grants which are added to their monthly public assistance check in lieu of receiving coupons. This occurs primarily in two SSI "cash-out" States and in several pilot projects for cash-out.

The largest example of "cash-out" recipients is in California where Supplemental Security Income (SSI) recipients receive cash added to their SSI check rather than coupons. The Food Stamp Act

of 1977 provides that no person receiving SSI payments in so-called "cash-out" States is eligible to receive food stamps, and all SSI recipients in California are ineligible to receive food stamps.

However, an audit investigation by the Inspector general of the Department of Agriculture found that for August 1980, over $300,000 in food stamps were issued to over 4,000 households identified on computer files as SSI households. The Inspector General did note that after the investigation is complete, the actual number of cases and amounts overissued will likely be less, as some of the identified cases resulted from coding errors. Nevertheless, duplicate participation appeared substantial.

According to the General Accounting Office, at least one California county, San Francisco, regularly performs a match of SSI and food stamp participants, but no statewide system for such cross-checking has been implemented.

Double participation—in both food stamps and programs which receive a cashed-out food stamp allotment—is clearly illegal. Inasmuch as the States have requested cash-out status primarily for administrative simplification, states should undertake improved measures to ensure that duplicate participation does not occur, and to prosecute when violations are discovered.

The Committee believes that the implementation of this cross-check system will improve the integrity of the food stamp program in those areas operating a cash-out program for certain categories of recipients.

Interest and dividend income (Sec. 131)

The Committee adopted a provision by Chairman Helms specifically to authorize the Secretary, after consultation with the Inspector General, to require States or areas thereof to match the food stamp rolls with names of individuals receiving interest and dividend income (available from the Internal Revenue Service) for purposes of detecting unreported income or assets.

Information from quality control audits and investigative audits by the Inspector General have consistently shown that underreporting of income by recipients is the primary cause for overissuances in the food stamp program and unreported assets have proven difficult to discover.

Efforts to detect unreported or underreported income in recent years have concentrated on earned income, which appears to be the major component of income not reported by households. To address this concern, Congress, in 1981, enacted legislation to require States to begin using quarterly wage data collected from unemployment compensation agencies for verifying food stamp eligibility and benefit payments. The provision requires States to use their unemployment compensation agency's quarterly wage reports if available (about 40 States have quarterly wage reporting) to verify the earnings of participants in the food stamp program. Those States that do not have quarterly reporting can use social security earnings information.

Earlier this year, the General Accounting Office issued a report which recommended such income matching in various Federal programs as well as suggesting other legislative and administrative initiatives which could result in significant savings. The report,

entitled "Legislative and Administrative Changes To Improve Verification Of Welfare Recipients' Income and Assets Could Save Hundreds of Millions", included in it a recommendation regarding unearned income.

The report concluded, "Financial data, such as interest and dividend income, in the Internal Revenue Service's (IRS') Information Return Processing File would be useful in verifying income and assets in welfare programs."

It should be noted that the information on unearned income does not come directly from recipients' income tax returns, but from third-party reporting, as the GAO described:

> IRS requires that data on taxpayer unearned income be reported through third-party information returns so that it can verify the accuracy of taxpayers' Federal tax returns. Third-party returns are submitted for pensions and annuities, interest income, dividends, lump-sum distributions from profit-sharing and retirement accounts. This information is maintained in IRS' information return processing (IRP) file. Third-party information returns would not only verify the unearned income being reported but also indicate ownership and value of assets which proceeded the income.

For food stamp purposes, the GAO noted, "Since this data also shows who paid this income, it could be used to determine whether or not any assets generating the income would cause the household to have resources exceeding established criteria and thus not be eligible for food stamp benefits." The food stamp asset limits for most households is $1,500 except that in a household containing two or more individuals with an elderly or disabled member the assets limit is $3,000.

The GAO report urged that the use of such information should be required of State agencies administering certain needs-based programs, as determined by the Office of Management and Budget. In a subsequent letter, the GAO specifically recommended that the use of such information be required of State agencies for food stamp program purposes. The Committee establishes this provision as a requirement which may be established at the discretion of the Secretary where he deems appropriate in order to protect the integrity of the food stamp program.

At least one State, California, has established a pilot project using unearned income for verification purposes in public assistance programs in four California counties. Under the California plan, the information on income and dividends is being obtained from the franchise Tax Board—the State tax department.

The GAO report recommended legislative language to amend the Internal Revenue Code specifically to permit the disclosure of the IRS file data on unearned income, which the Committee's provision includes. This provision also includes GAO-recommended language to protect the use of such information by restricting its disclosure only for the purposes of, and to the extent necessary for, determining an individual's eligibility for benefits and amount of benefits.

Issuance procedures (Sec. 132)

The Committee adopted a provision offered by Senator Dole to authorize the Secretary to require State agencies to use new or modified issuance procedures which are consistent with the Food Stamp Act if the Secretary finds that such procedures would improve program integrity and be cost effective.

Under the provision, the Secretary could require State agencies to change their issuance systems in areas with significant issuance problems, such as mail losses, thefts, and duplicate issuances. For example, demonstration projects have shown that fraudulent duplicate issuances to recipients can be virtually eliminated by issuance systems utilizing direct delivery of households' Authorization to Participate (ATP) cards to issuers, ATPs with short life-spans, or computerized monitoring of issuance. Using the authority in this section, the Secretary could require States, or parts thereof, to use such systems.

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Amount of penalty and length of disqualification; Bonds (Secs. 133 and 134)

The Committee adopted an amended version of several provisions offered by Chairman Helms designed to increase penalties for retail stores which violate the Food Stamp Act, particularly those stores which do so repeatedly.

The provisions would establish in the legislation itself, rather than by regulation, minimum disqualification periods for retail food stores which violate the Food Stamp Act or regulations, and would increase these penalties above those currently employed in regulation.

Stores would be disqualified for 6 months to 5 years upon the occasion of a first disqualification; from 12 months to 10 years for a second disqualification; and permanently for a third disqualification or one based on the purchase of coupons or trafficking in coupons or authorization cards by a retail food store.

The Committee is concerned by the reported violations of the Food Stamp Act by retail stores. The following chart outlines the investigations of the Compliance Branch of the Food and Nutrition Service in recent years, including the percentage of violations discovered:

STORE INVESTIGATIONS CONDUCTED BY THE COMPLIANCE BRANCH, FNS FOR FISCAL YEARS 1977–81

Fiscal year	Cases or investigations	Evidence of violations	Percent of violations	Warrant possible disqualification	Trafficking food stamps	Sent to OIG for escalation	Accepted by OIG for escalation
1977	2,370	1,220	51.5	896	17	900	40
1978	4,449	2,657	59.7	1,436	94	1,920	143
1979	4,203	2,659	63.3	1,796	108	1,074	171
1980	4,292	2,544	59.3	1,605	169	[1] 220	156
1981	4,729	2,718	59.5	1,754	199	237	124
Total	20,043	11,798	.....	7,987	587	4,351	634

[1] Prior to April 1979, all CB investigations containing evidence of 3 or more violative transactions of any type were transferred to OIG for escalation. Since April 1979, only those cases involving food stamp discounting or other evidence of probably felony level violations are referred to OIG. Thus, most of those referred to OIG in the last several years have been accepted.

The investigations represent a small percentage of the 240,000 retail outlets which participate in the food stamp program.

It should be noted that investigations are prompted in two ways. Complaints from citizens, law enforcement officials or other are frequently made to USDA. Also, computer analysis of the retailer's food stamp business is made on a regular basis. The computer provides monthly reports which show the ratio of food stamp redemptions to food sales in each store, compared with the ratio of stores in the same geographical area. A store with an appreciably higher-ratio than that of its competitors is looked at very carefully. Investigations by the Compliance Branch of FNS—charged with oversight of retail store participation—have produced high percentages of violations among stores investigated.

About one third of the investigations led to disqualifications. (Some firms were assessed civil money penalties in lieu of disqualification.) Official warning letters were issued where minor violations occurred.

The following table outlines the number of periods of disqualification which have been given to retail stores for violations of the Food Stamp Act.

NUMBER OF AUTHORIZED FOOD FIRMS DISQUALIFIED AS THE RESULT OF INVESTIGATIONS CONDUCTED BY THE COMPLIANCE BRANCH, FNS FOR FISCAL YEARS 1977–81

Period of disqualification	1977	1978	1979	1980	1981	Total
30 days	22	55	85	115	100	377
60 days	54	123	188	228	237	830
90 days	24	32	37	29	28	146
6 months	121	205	351	304	240	1,221
1 year	191	747	990	957	815	3,700
3 years	7	20	28	30	71	156
Other	1	3	8	15	6	33
Total	420	1,185	1,687	1,678	1,497	6,463

The General Accounting Office has noted in a previous report that the minimum penalties—short suspensions of 30 to 60 days or a warning letter—did not seem effective. Such short disqualification periods, according to the General Accounting Office, seemed to provide little or no deterrence to a firm inclined to violate the law or program regulations.

The Committee concurs that longer minimum penalty periods should be established.

The Committee is also concerned by the increasing frequency in which trafficking cases are reported and verified as noted in the first table above. For this reason, the Committee adopted a stringent requirement that a store would be permanently disqualified upon a disqualification based on trafficking.

In nontrafficking cases, the Committee would expect the Secretary to continue the current policy of imposing civil penalties instead of disqualification in the case of stores where alternative retail sources are not available to recipients. However, the Secretary is not precluded from disqualifying such stores for repeated violations.

A third occasion of disqualification by a retail store would result in permanent disqualification from redeeming food stamp coupons—regardless of whether earlier violations had resulted in civil money penalties or disqualification periods.

These increased penalties are designed to provide the deterrence for those stores which might be inclined to violate the law.

Although the USDA reports that less than 5 percent of all firms disqualified in fiscal year 1981 were repeat offenders, the Committee intends to escalate the penalty for such offenders. All of these increased penalties are designed to provide the deterrence for those stores which might be inclined to violate the law.

Especially in nontrafficking cases, the Committee notes that it is not the Department's general policy to eliminate a retail store upon a first visit to the store (by a Compliance Branch) which reveals a violation of the Food Stamp Act or regulations. Rather, the Department has usually operated in such a fashion as to require multiple store visits and multiple violations before a disqualification is imposed. The Committee would expect the Department to continue this policy.

It should be noted that the term "retail store" as defined in the Act includes private nonprofit institutions operating a drug or alcoholic treatment program. As noted earlier, the Committee is concerned by reports of abuse by these institutions. The new provision establishing minimum disqualification periods and increasing the civil money penalty also applies to such institutions which violate the Food Stamp Act or regulations.

Additionally, the Committee authorized the Secretary to establish a bonding requirement for stores which seek to reenter the program after imposition of a disqualification or a civil money penalty for accepting or redeeming coupons in violation of the Act or regulations. No bonding could be required for initial approval.

The Secretary is granted considerable latitude in setting up a bonding requirement for retail stores which have violated the Act. The purpose of the bond should be to protect the Federal Government's financial interests where stores have previously violated the food stamp program.

The Committee notes the continued concerns, especially by the Office of Inspector General, about the participation by wholesalers in the food stamp program. Abuses involving wholesalers generally have involved major violations of the food stamp program, such as trafficking. The Secretary has just recently issued new regulations which are designed to reduce substantially such participation.

The Committee anticipates that the Secretary will continue to monitor the participation of wholesalers in recognition of the consistent recommendation by the Office of Inspector General that wholesalers should be eliminated from the program. The Committee notes that the Secretary *does* have the capability administratively to tighten further or eliminate altogether wholesalers if the Secretary finds that recent regulations restricting wholesaler participation prove inadequate to eliminate abuses.

Alternative means for collection of overissuances; costsharing for collection of overissuances (Secs. 135 and 139)

The Committee adopted a provision offered by Chairman Helms designed to increase incentives for States to pursue the collection of fraud and nonfraud overissuances.

In 1981, Congress enacted legislation to require States to begin collecting overissuances whether or not resulting from fraud through offsets against future monthly food stamp benefits. Prior to that change, only cash payments were required and only then in fraud cases.

Nonfraud collections may be offset by the greater of 10 percent or $10 each month; there is no legislative limitation on fraud collection offsets. Current law does not permit the collection by offset of benefits of nonfraud overissuances which result from agency-caused error.

The provision adopted by the Committee goes another step by permitting States to recover overissuances through other means of collection. The provision also permits States to retain the same percentage of the recoveries which are now permitted for collections achieved through offsets and cash repayments—50 percent in the case of fraud and 25 percent in the case of nonfraud. These provisions have not yet been implemented, but are expected to improve collections.

Several States have initiated aggressive means of collecting overissuances in various Federal and State public assistance programs, including the food stamp program. For example, in letters to the Chairman, at least three States—Oregon, Montana, and Utah—indicated that they have used a State income tax offset program to recapture food stamp overissuances resulting from fraud. A fourth, California, indicated it planned to employ such a system with the 1982 tax year. Under such income tax offset systems, uncollected overissuances are deducted from State income tax refunds to which a recipient might otherwise be due from the State.

The provision adopted by the Committee is intended to ensure that other measures in addition to cash repayment and benefit offset—such as State income tax offset systems—are clearly permitted in order to encourage the collection of overissuances. States may retain 50 percent in the cases of recoveries resulting from fraud and 25 percent of recoveries resulting from nonfraud overissuances (except that the State may not retain any recoveries based on a State agency error).

The Committee is concerned by the generally low rate of collections made by the States. For instance, Henry Eschwege, Director of the Community and Economic Development Division of the General Accounting Office testified earlier this year about the poor rate of collection of overissuances in the food stamp program.

> Little improvement has been made since we last reported in 1977 that only a small amount of overissuances had been collected. . . . as in 1976 and 1980, only 1 percent of the overissuances were recovered.

The Committee also took note of comments from State and local officials on the present limitation on collection of overissuances. By

regulation, the Department has established a liability period of 12 months for fraud claims, and requires that collection for fraud or nonfraud be completed within 3 years.

The Director of the Office of Fraud and Abuse, Georgia Department of Human Resources, called attention to the situation during the Committee hearings:

> Food stamp regulations provide for an arbitrary twelve month cut off in calculating non-fraud losses. We believe that this seriously masks the extent of loss experienced. We believe overpayments, regardless of reason or time period, should be subject to reasonable recovery efforts.
>
> . . . Current regulations require that claims be compromised in those cases where a claim cannot be easily liquidated by the recipient within a period of three years. This provision is subject to differing interpretation by caseworkers and obviously serves to reward persons who have illegally received the most. We believe that no useful purpose is served by the compromise requirement, and that it should be removed from the regulations.

The Inspector General of USDA has made similar recommendations. The Committee notes that there is no legislative requirement for these limitations, and urges the Secretary to reexamine these limitations on collection which impede efforts to improve rates of collection.

Claims collection procedures (Sec. 136)

The Committee adopted a provision in Senator Dole's bill to provide that households have 30 days to choose between allotment reduction and cash repayment in repaying claims against them resulting from the disqualification of a member for fraud or intentional misrepresentation.

The provision is in response to complaints from State and local officials that households often delay or postpone making an election for repayment and thus continue to participate in the program without any reduction in monthly benefits.

If the household fails to elect either an allotment reduction or cash repayment within the 30 days of the State agency's demand to do so, or if it elects to make a payment in cash and fails to do so, the household automatically would be subject to an allotment reduction.

Food stamp intercept of unemployment benefits (Sec. 137)

The Committee adopted a provision by Senators Helms and Dole to permit the establishment of intercept systems to recover from unemployment compensation benefits food stamp overissuances resulting from fraud or intentional misrepresentation.

The provision parallels one adopted in the Omnibus Budget Reconciliation Act of 1981 for the aid to families with dependent children program. That program has required States to establish such a system to recover delinquent child support payments. However, the provision adopted by the Committee with respect to food stamp overissuances is optional, at the discretion of the State.

As noted consistently by officials within the Department, and the General Accounting Office, the rate of recovery for overissuances due to fraud has been very low, usually less than one percent.

The Congress adopted several provisions last year and the Committee recommendations contain other provisions designed to provide more flexibility in the collection of overissuances and more incentives for States to undertake such collections by permitting them to retain a portion of the recoveries.

Under existing law, the primary means of collecting overissuances are through cash repayment and benefit reduction. Benefit reduction is only effective, however, when the individual who defrauded the program is still a member of a household participating in the program or has returned to the program following a period of disqualification. Means of collecting overissuances from individuals who have left the food stamp programs have been severely limited.

The Committee provision is designed to permit States wishing to establish such intercept systems for food stamp overissuances to parallel those which they have established in the AFDC program. Both the Food Stamp and Social Security Acts are amended to permit such a system.

The State could recover the overissuance through entering into an agreement with an individual who has received an uncollected overissuance or by obtaining a court judgment requiring the withholding of amounts from the unemployment compensation.

The State food stamp agency would reimburse the agency administering the unemployment compensation program for the administrative costs associated with repayments under the unemployment compensation program.

Inasmuch as food stamp officials have reported that unreported receipt of unemployment compensation benefits is a common source of underreporting of income, States may find the intercept system useful in collecting overissuances. Only overissuances resulting from fraud or intentional misrepresentation may be collected under the intercept procedure. States would be permitted to retain 50 percent of all overissuances collected.

Intercept of Federal income tax refunds (Sec. 138)

The Committee adopted a provision sponsored by Chairman Helms which would permit States to establish an intercept system to recover from Federal income tax refunds overissuances caused by fraud or intentional misrepresentation.

As noted earlier, collection of overissuances from individuals who are no longer on the food stamp program has proven generally ineffective. Indeed, according to the General Accounting Office, the situation is much the same in other Federal programs.

The General Accounting Office noted in a March 9, 1979 report that a considerable portion of delinquent accounts in various Federal programs could be collected by reducing income tax refunds due to the debtors. The report, "The Government Can Collect Many Delinquent Debts By Keeping Federal Tax Refunds As Offsets," noted that food stamp overissuances resulting from fraud were a source of some of the debts which could be recovered through a tax offset system.

Income tax intercept usually works in the following manner: the agency to whom a debt is owed, after unsuccessful collection attempts, refers the debt to the Internal Revenue Service. If the individual is owed an income tax refund, the amount of the debt is first subtracted from the refund and paid to the appropriate agency before the remainder of the refund, if any, is sent to the individual.

Last year, in the Omnibus Budget Reconciliation Act of 1981, the Congress enacted a mandatory tax refund intercept (or offset) system to recover delinquent child support payments from individuals owing such payments.

States have been quite active in establishing systems to intercept State income tax refunds for debts owed to the State. Many States which have a State income tax have enacted such a system to intercept State tax refunds for delinquent child support payments.

Several States have implemented such an intercept from State income tax refunds for food stamp overissuances as well. Oregon, Utah, and Montana reported such collections from 1981 tax returns, and California indicated that its intercept system would be expanded to collect food stamp overissuances beginning with tax year 1982.

Several other States are considering an expansion or establishment of an intercept system for food stamp overissuances.

An analysis by the General Accounting Office of the Oregon tax intercept system concluded that Oregon's program had been highly successful. The report, "Oregon's Offset Program For Collecting Delinquent Debts Has Been Highly Effective" was published July 17, 1980.

However, collection from individuals who have moved across State lines is precluded when the intercept is limited to State income tax intercept systems. Additionally, some States do not have a State income tax and cannot therefore achieve collections through that means.

A number of States have indicated support for an optional Federal income tax intercept system for food stamp overissuances. These States include Iowa, Utah, California, New Mexico, North Carolina, Hawaii, Ohio, Georgia, South Carolina, Missouri, Texas, Maryland, New Hampshire, Colorado, New Jersey, Oregon, Oklahoma, Mississippi, Arkansas and Indiana.

The provision adopted by the Committee parallels the tax intercept system established last year in the AFDC program for delinquent child support. However, the food stamp intercept program is optional, at the discretion of the State.

Under the provision, only overissuances which are the result of fraud or intentional misrepresentation could be used in the intercept system. Efforts would have had to be made to recover the overissuances through other means. The determination of the overissuance would have to be at least three months old, and the amount of the food stamp overissuance would have to be at least $100 or $100 in combination with other amounts owed under similar provisions of Federal law (such as child support).

Both the Food Stamp Act and the Internal Revenue Code are amended in order to establish such an intercept system. The Secretaries of Treasury and Agriculture would be responsible for establishing regulations governing the intercept system, including the

fee system to cover the Treasury's cost for applying the intercept procedure. States would be permitted to retain 50 percent of the recoveries made from the intercept system.

Error rate reduction system (Sec. 140)

The Committee's recommendations include amendments proposed by Senator Dole that would replace the current system of sanctions and incentives intended to encourage States to reduce the issuance of erroneous benefits with a new set of sanctions and incentives and new, more stringent goals for error reduction.

Under the current error rate reduction system, State agency error rates (as measured by periodic quality control surveys of samples of the food stamp caseload) establish each State's "error rate" every 6 months. If a State's error rate is above the national average and if it has not reduced it by an annual rate set by the Secretary, the State is *liable* for the full cost of erroneously issued benefits to the extent its error rate exceeds the national average or, if higher, the error rate it would have achieved if it had met the prescribed annual rate of reduction.

In addition, States with very low error rates are granted *incentive* payments: (1) an increase in their normal (50 percent) Federal share of administrative costs, to 65 percent, if they have an error rate below 5 percent; (2) an increase to 60 percent if their error rate is below 8 percent (or the national average, if lower than 8 percent), but above 5 percent; or (3) an increase to 55 percent if their annual rate of error reduction is 25 percent or more. In order to recieve an increased Federal share of administrative expenses, a State must also have a rate of improper denials of eligibility below the national average.

However, the Committee is concerned that the existing error reduction system does not provide enough encouragement to States to lower their rates of erroneous payment. This is especially important in a program like food stamps where the States themselves have no stake in the cost of benefits, although they are responsible for day-to-day administration. Other federally *assisted* programs such as the aid to families with dependent children (AFDC) program have achieved significantly lower error rates than food stamps; States pay a portion of benefit costs and thus tend to concentrate their efforts on improving administration in those programs. *Specific* goals (or "tolerance" levels) for States to meet are not set in present law; rather, a variable "national average" goal is used. Further, the Secretary is given the authority to waive the imposition of sanctions, and, so far, has done so.

The Committee recommendations would correct the flaws in the present error reduction system by setting specific goals for reduction of error and realistic penalties that are much less likely to be waived.

The amendments would sanction each State that does not reduce its payment error rate (the dollar value of overissuances to eligible households plus issuances to ineligible households as compared to the value of all benefits issued in the State) to 5 percent in fiscal year 1985, in three steps. In fiscal year 1983, each State would be expected to have reduced its error rate by one-third of the difference between a 5 percent error and the rate it found in the October

1980–March 1981 reporting period. In fiscal year 1984, each State would be expected to have reduced its error rate by two-thirds of the difference. And, in fiscal year 1985 and each year thereafter, each State would be expected to have reduced its error rate to the ultimate 5 percent goal. For example, a State reporting a 14 percent error rate for the October 1980–March 1981 reporting period would be expected to reduce its error rate to at least 11 percent in fiscal year 1983, to 8 percent in fiscal year 1984, and to 5 percent in all future fiscal years.

By requiring a 3-step reduction to 5 percent error, from the national average of 10.6 percent reported for the October 1980–March 1981 reporting period, the Committee has established a specific goal now lacking in the error rate reduction system. However, it should be noted that, although the Committee judges a 5 percent error rate practically achievable within 3 years and has thus established it as the goal to be met, it may be reviewed at a future date to see if a lower "tolerance" level of error should be set.

Fiscal sanctions would be applied to States that do not achieve their error-rate target for a given fiscal year; each such State would lose a portion of the Federal share of its regular administrative costs (normally matched at 50 percent for that year). For each percentage point (or fraction of a percentage point) by which a State's error rate, as calculated according to procedures established by the Department, exceeds its goal for the fiscal year in question, the State would lose 5 percent of its normal Federal funding for administration. In addition, if the State's error rate misses its target by more than 3 percentage points, it would lose 10 percent of its Federal administrative cost funding for each percentage point by which it exceeds its target by more than 3 points. For example, a State that woud be expected to reduce its error rate from 14 percent to 11 percent in fiscal year 1983, but reduces it to only 13 percent, would lose 10 percent of its Federal Administrative cost funds. If its error rate were to go up in fiscal year 1983, to 15 percent, it would lose 25 percent. On the other hand, a reduction to 11 percent or below would avoid any fiscal sanction.

Certain safeguards are also built into the Committee's error rate sanction system. States that achieve an error rate of 9 percent in fiscal year 1983, 7 percent in fiscal year 1984 and 5 percent in later years would not be sanctioned even if they fail to meet the required one-third reduction goal; this provision protects States that start off with relatively low error rates from sanction because lower error rates are particularly had to reduce. No State would be sanctioned more than the value of benefits issued in error above its target. States will have the benefit of administrative and judicial review of any sanction. And, the Secretary may use alternative data if a State fails to report usable error-rate statistics.

In setting up a system of administrative cost penalties, the Committee has corrected the second major flaw in the existing system. The current penalty (i.e., full liability for the cost of erroneous payments above certain levels) has proven difficult to apply in practice because of the relatively large amounts involved and, as a result, the Secretary has chosen to waive its application. The sanctions established in the Committee's proposal, on the other hand, are more

realistic and should not be waived except when unusual circumstances intervene.

Finally, the Committee's recommendations revise the current system of financial incentives for States with low error rates. Consistent with choosing a 5 percent rate as the goal for error reduction, the amendments would grant an increased (60 percent) Federal share of administrative costs to those States with error rates (including the rate of underissued benefits) below 5 percent, as long as their rate of improper denials of eligibility is below a reasonable level set by the Secretary. This should encourage States to reduce error rates below the 5 percent goal.

ADJUSTED PAYMENT ERROR RATES OCTOBER 1980–MARCH 1981

State	Ineligibility	Overissuance	Underissuance
Northeast:			
Connecticut	7.74	6.10	2.17
Maine	4.84	4.09	2.73
Massachusetts	5.57	5.57	1.97
New Hampshire	7.30	7.12	2.97
Rhode Island	4.55	6.82	1.86
Vermont	6.44	3.16	1.61
Mid-Atlantic:			
Delaware	2.94	4.90	3.89
District of Columbia	6.00	7.79	5.20
Maryland	7.93	5.81	2.95
New Jersey	5.39	4.64	1.81
New York	7.80	7.25	4.11
Pennsylvania	6.44	4.05	3.05
Virginia	3.81	4.57	1.75
Virgin Islands	8.27	6.69	3.26
West Virginia	4.14	3.56	2.20
Southeast:			
Alabama	4.46	4.01	2.25
Florida	6.10	6.36	2.53
Georgia	4.57	4.63	3.36
Kentucky	4.97	4.09	1.79
Mississippi	3.55	6.28	2.59
North Carolina	4.82	5.04	5.94
South Carolina	3.63	4.77	2.10
Tennessee	6.18	5.63	2.62
Midwest:			
Illinois	4.49	4.59	2.42
Indiana	4.90	4.14	.99
Michigan	6.00	3.38	3.12
Minnesota	3.67	3.03	2.15
Ohio	3.54	4.78	1.82
Wisconsin	6.23	4.89	3.20
Southwest:			
Arkansas	3.34	5.46	2.44
Louisiana	4.23	6.10	1.90
New Mexico	5.96	6.86	2.44
Oklahoma	5.98	3.84	2.42
Texas	5.00	3.95	1.96
Mountain plains:			
Colorado	5.73	5.97	2.56
Iowa	5.44	5.21	1.57
Kansas	6.59	5.01	2.95
Missouri	4.23	4.59	2.04
Montana	9.05	6.35	1.88
Nebraska	4.46	6.55	2.17
North Dakota	.07	4.32	2.51
South Dakota	4.80	5.68	1.78

ADJUSTED PAYMENT ERROR RATES OCTOBER 1980–MARCH 1981—Continued

State	Ineligibility	Overissuance	Underissuance
Utah	3.47	5.01	3.04
Wyoming	9.49	2.03	1.13
Western:			
Alaska	14.60	6.78	.99
American Samoa			
Arizona	8.82	6.27	3.60
California	4.18	4.48	2.96
Guam	2.00	2.58	1.91
Hawaii	4.51	2.50	2.38
Idaho	5.36	3.40	1.99
Nevada	1.61	2.05	1.41
Oregon	4.15	15.00	1.31
Trust Territory			
Washington	3.97	6.59	1.38
Total	5.28	5.29	2.58

Employment requirement pilot project (Sec. 141)

The Committee adopted a compromise amendment by Senator Hayakawa to authorize the Secretary to conduct a pilot project in which certain able-bodied recipients would not be eligible for continued food stamp assistance unless they were employed a minimum of twenty hours per week or participated in an available workfare program.

The Committee is concerned by the perception that many individuals receiving food stamps are long-term unemployed, and that many such individuals may be failing to accept available employment. The Committee heard testimony that farmers, in particular, have a difficult time securing workers to assist in planting or harvesting crops despite the often large number of unemployed, able-bodied individuals in the same area.

As noted earlier, the Committee intends to hold hearings to examine this issue and others associated with participation by able-bodied individuals who remain unemployed.

In those areas in which a pilot project is operated, the provision could be applied only to recipients who are not: under 18 or over 59 years of age; certified by a physician as physically or mentally unfit for employment; a parent or other member of a household responsible for the care of a child under age 6 or of an incapacitated person; a parent or caretaker of a child under age 6 in a household in which there is another parent employed at least 20 hours per week or participating in a workfare program; complying with work registration and job search requirements and demonstrating, in a manner prescribed by the Secretary, that he or she is able and willing to accept employment, but is unable to obtain such employment; or exempt due to other criteria established by the Secretary.

The Secretary would be authorized to waive the requirements of the provision for all or part of any project area if the Secretary finds that the area has an unemployment rate exceeding 10 percent or does not have a sufficient number of jobs to provide employment for the persons subject to this provision.

Participation by States or localities in the pilot project is optional at the discretion of States and localities.

Benefit reduction study; studies (Secs. 142 and 150)

The Committee adopted a provision sponsored by Senator Leahy that would require the Secretary to study the effects of the program reductions provided in the Committee's recommendations and those enacted in 1981—through the Omnibus Budget Reconciliation Act and the Food Stamp and Commodity Distribution Amendments—and any other laws enacted during the 97th Congress which affect the food stamp program.

Because of the large number of changes enacted last year and likely to be enacted this year, the Committee believes that a study of the effects of these changes on program recipients would be helpful.

In particular, the study is to include an assessment of the effects of retrospective accounting and periodic reporting. An interim report is due by February 1, 1984, and a final report is due by March, 1985.

The Committee also adopted a provision by Senator Helms and Senator Dole to eliminate the requirements in the statute for studies and reports which have already been completed. The section deletes requirements for analyses of the assets standards, the effects of the elimination of the purchase requirement, the recovery of food stamps benefits from households having incomes equal to twice the poverty line (so-called recoupment), and the accuracy of indexation bases used or considered for use in the food stamp program.

Authorization extension (Sec. 143)

The Committee extended the appropriations authorization for the program through fiscal year 1985, adopted specific limitations ("caps") on appropriations based on the Congressional Budget Office's calculation of savings contained in the Committee bill and authorized $825 million during each of the next 3 years for the Puerto Rico block grant.

The maximum levels of non-Puerto Rico funding approved by the Committee are: $11.9 billion for fiscal year 1983, $12.3 billion for fiscal year 1984, and $13.2 billion for fiscal year 1985.

The changes in the food stamp program adopted by the Committee will substantially reduce costs in fiscal years 1983 through 1985. As a result, the Committee has been able to set realistic appropriations "caps" based on CBO estimates of program costs and the Committee bill's savings. The "cap" figures adopted by the Committee were calculated by (1) taking CBO's current estimate of program costs for each of the years covered by the bill, assuming provisions of present law; (2) subtracting the savings to be achieved by the Committee's actions during its consideration of food stamp reauthorization ($825 million in fiscal year 1983, $826 million in fiscal year 1984 and $886 in 1985); (3) adding the anticipated costs, as estimated by CBO, of increased food stamp costs resulting from reductions in other benefits—primarily AFDC and SSI benefits—made by the Senate Finance Committee which are likely to increase food stamp participation; (4) adding 5 percent to the results

as a margin for unforeseen circumstances, the effects of other program changes, and possible variation in the estimates; and (5) rounding to the next higher $100 million. The following chart outlines these calculations:

AUTHORIZATION LEVELS (NOT INCLUDING PUERTO RICO)[1]

[Budget authority in millions]

	Fiscal years—		
	1983	1984	1985
Baseline (CBO)	$11,967	$12,306	$13,174
Committee savings	−825	−826	−886
Finance committee offsets	+190	+208	+213
Total (actual)	11,332	11,688	12,501
5 percent margin cap	11,899	12,272	13,126
Committee-adopted authorization levels	11,900	12,300	13,200
Margin between authorization level and actual estimates	+568	+612	+699

[1] Authorization for Puerto Rico Block Grant of $825 million annually is authorized separately under proposed legislation.

As noted above, the authorization ceiling provides a "cushion" above actually anticipated spending ranging between $568 million and $699 million during the 3 year authorization period.

The current CBO estimates, which are used in all congressional budget deliberations, are predicated on the following assumptions about the decline in the unemployment rate during the next three fiscal years from the current rate of 9.5 percent.

Fiscal year:	*Percentage of unemployment*
1983	8.6
1984	7.7
1985	7.3

The CBO also assumes that the 18-month adjustment to the thrifty food plan to be made on October 1, 1982, will reflect 7.73 percent in food price inflation, the 13-month adjustment to the thrifty food plan to be made on October 1, 1983, will reflect 7.96 percent in food price inflation, and the 13-month adjustment to the thrifty food plan to be made on October 1, 1984, will reflect 7.75 percent in food price inflation.

Establishment of reasonable annual appropriations ceilings serve the very useful purpose of ensuring that there will be continual, close congressional scrutiny of the program. If these "caps" are in danger of being reached, it will indicate the need for further action to hold costs within the authorized amounts.

Establishment of reasonable annual appropriations ceilings serve the useful purpose of ensuring that future spending will remain under control. The Committee has been assured by the Administration that every reasonable measure will be undertaken to continue cost reductions by improved management, high priority attention to eliminating fraud, waste, and abuse, and, if necessary, further legislation. The Administration has expressed its intention not to return to Congress for additional funding each year, as was customary under previous Administrations, and has informed the Committee that if the appropriation authorizations are reasonable it expects to be able to operate the program within those levels.

The Committee cannot state too strongly its desire that the Administration fulfill this obligation and keep the food stamp program within these spending levels.

Similar workfare programs (Sec. 144)

The Committee adopted an amendment by Senator Helms which specifies that in operating a food stamp workfare program, State or local governments may use the administrative structure and operating procedures of another workfare program which meets the guidelines specified by the Secretary.

The Committee strongly intends that States or local governments wishing to merge food stamp workfare with State and local public assistance workfare programs should be allowed to do so. The Secretary should establish regulations which would, to the maximum extent practicable, enable a State or local government to operate a workfare program which is compatible and consistent with similar workfare programs operated by the subdivision. To further facilitate this objective, the amendment specifically allows States or local governments to use a workfare program set up in connection with the aid to families with dependent children program. States or localities operating such a program shall be permitted, at their option, to merge or "piggyback" their food stamp workfare into the operation of such an AFDC workfare program.

For example, in States or localities opting to do so, a recipient (who is not on AFDC) and who has a 12 hour per week workfare obligation could be referred to AFDC workfare to be assigned a workfare job to fulfill his 12 hour obligation. If that same recipient were on AFDC in an area which required food stamp workfare, and was already participating in AFDC workfare, his food stamp obligation would be added to the number of hours required in AFDC to determine his total workfare commitment.

In other, non-AFDC workfare programs, the Secretary would have to determine that the program meets the provisions and protections provided in the food stamp workfare program before such a consolidation would be permitted.

The work obligation (number of hours) of the recipient would not be diminished, but rather the State or local government could operate a consolidated workfare program instead of establishing a separate one specifically for food stamps.

The provision is consistent with the intent of workfare legislation passed last year by the Senate and with Statement of Managers language which was included in the Conference Report on the Agriculture and Food Act of 1981 (S. Rept. 97-290, page 228).

Hours of workfare (Sec. 146); WIN participants (Sec. 145)

The Committee adopted a modified version of Chairman Helms' provision to increase the number of hours which could be required in a workfare program and simplify its administration.

Under the workfare program adopted in the Agriculture and Food Act of 1981, 20 hours per week was set as the maximum number of hours of workfare that could be required, with the further provision that no individual who was participating in other

forms of work could be required to work more than 30 hours per week of combined food stamp workfare and other employment.

By establishing one rule of 30 hours per week maximum in combination with other employment, the provision eliminates an inequity which currently gives more lenient treatment to able-bodied recipients who have no employment than to those who have such employment.

For instance, under current law, an individual with a 20 hour per week part-time job could still be required to work no more than 10 hours per week in workfare. However, the able-bodied food stamp recipient with no outside employment would be required to work no more than 20 hours per week in workfare. Thus the employed individual would be working 30 hours per week while the unemployed individual would be working only 20 hours (in workfare).

The Committee adapted the 30 hour simplified rule to address this inequity. The 30 hour rule still allows sufficient time for individuals to seek and obtain full-time employment which is one of the ultimate objectives of workfare.

The Committee recommendations also include an amendment giving States and local political jurisdictions the *option* of providing an exemption from food stamp workfare requirements to recipients of aid to families with dependent children actively participating at least 20 hours per week in a work incentive (WIN) program. Under existing law, this exemption is mandatory.

Consistent with the Committee's view that operating agencies should be given maximum flexibility in designing and operating their workfare programs, this revision would grant State and local operating agencies the final say as to coordination between their food stamp workfare program and other work and training requirements. However, the Committee would expect that operating agencies would provide coordination between food stamp workfare programs operated pursuant to section 20 of the Food Stamp Act and the WIN program operated under part C of title IV of the Social Security Act, so as to ensure that job placement will have priority over participation in workfare. Operating agencies that do not exempt WIN participants from food stamp workfare programs would, of course, be expected to count any hours of participation by individuals in WIN training or work toward satisfying the requirement for up to 30 hours per week of workfare participation.

State block grant option (Sec. 147)

The Committee adopted a provision offered by Chairman Helms in S. 2352 which would permit any individual State to elect to operate a low-income nutritional assistance block grant in lieu of the food stamp program.

Many State and local officials have suggested that for numerous reasons they feel the need for greater flexibility in the administration of the food stamp program. Last year the Committee adopted a mandatory block grant for Puerto Rico which is to be funded at $825 million annually. In another section of this legislation, that block grant is authorized separately from the authorization for the remainder of the program.

The Administration has focused much attention on the concept of Federal block grants through the introduction in 1981 and 1982 of proposals to consolidate and fund numerous Federal programs through a block grant. Earlier this year, President Reagan announced a plan to transfer the food stamp program which is funded 100 percent by the Federal Government, and the aid to families with dependent children program to the States in exchange for Federal assumption of all medicaid costs which are currently shared by State Governments. More recently, a modified Administration plan would retain the food stamp program as a Federal responsibility.

The food stamp proposal adopted by the Committee differs in two distinct ways from the initial Federalism proposal.

Unlike the Administration's initial concept, the Committee provision is totally optional at the discretion of each State. The formula has been designed in such a way that neither States opting for the block grant or those continuing under the Federal system will be disadvantaged.

The Administration's initial proposal would have turned both food stamp administration and funding responsibilities over to the States. State assumption of food stamp funding has been the most frequently expressed objection to the first Administration's proposal. The Committee bill permits States to assume administration, but maintains Federal funding of the food stamp program.

The block grant allocation to each State during any fiscal year from non-Puerto Rico Federal appropriations would be based on the State's share of funding—both benefit costs and the Federal share of State administrative expenses—during the 12 month period ending March 31, 1982. No State would receive less than .25 percent of the total appropriation. The legislation also requires the Secretary to work with the Comptroller General of the United States to develop alternative formulas for the distribution of funds and report to Congress on such alternative formulas by June 30, 1983.

A State wishing to operate a low income nutritional assistance block grant during any fiscal year would notify the Secretary at least 30 days before the beginning of the first fiscal year it elects to operate a grant program. A State's election to operate a subsequent year is renewable at the State's option.

The provision requires the Secretary to pay each block grant State the total allotment of funds for a fiscal year to which the block grant State is entitled immediately after the Secretary has determined the amount of such allotment at the beginning of the fiscal year. A State would thus know its minimum level of funding at the onset of the fiscal year. Any subsequent funding during a fiscal year would also be allocated according to the formula.

As with many of the block grants established in other programs in 1981, the provision permits the Secretary to allocate funds directly to Indian tribes from the allotment of the block grant States, if the tribes so request and if the Secretary determines that a direct allocation would better serve the members of the tribe or tribal organization.

Maximum flexibility would be granted to each State to establish nutritional assistance programs designed to meet the needs of that

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State. Regulatory involvement from the Department of Agriculture would be minimal. Several broad protections—which parallel protection from other block grant programs—will govern the use of funds allocated to a block grant State.

A State wishing to operate a block grant must submit an application to the Secretary which must include assurances that the State will comply with the purposes and restrictions of the low-income nutritional assistance block grant contained in this legislation.

A State wishing to operate a low-income nutritional assistance block grant would be required to:

Conduct public hearings at least biennially by the legislature in order to ensure public and legislative involvement in the operation of the block grant.

Certify that it will assess on a regular basis the food and nutrition needs of needy persons residing in the State.

Use the funds provided to raise the level of nutrition among low-income households residing in the State.

Designate a single agency which should be responsible for the administration, or supervision of the administration, of the program for which funds are provided.

Provide that fiscal control and fund accounting procedures will be established to assure the proper disbursal of and accounting for Federal funds, including procedures for monitoring the program carried out by the State with the assistance provided.

Provide for an audit, not less than biennially, of the State expenditures of funds received under the block grant.

Describe how the block grant State will carry out the above protections, and provide a description of the assistance to be provided and the recipients who will be eligible under the program, and the administering agency.

The amount and form of assistance granted to individuals within the State would be determined by the State. A State must, however, carry out such assistance as it describes in its annual application.

Each block State has exclusive authority to make determinations concerning standards of or requirements for eligibility to receive assistance under funds furnished through the block grant, and the Secretary may not interfere with such determinations. The State's eligibility standards may include a requirement for work (such as workfare) or a requirement for a financial contribution by recipient.

As with many other block grants adopted last year, the block grant prohibits the use of funds for construction and prohibits discrimination.

As with previously adopted block grants, the General Accounting Office would evaluate expenditures to assure that they are consistent with the requirements of the block grant legislation.

The Secretary's primary role with block grant States is one of oversight. He may, at the request of a State, provide technical assistance to a State considering a block grant, including an analysis of the feasibility and potential shortcomings of specific block grant plans under consideration by the State.

The Secretary would also be responsible for assuring that States opting for a block grant use the funds for the purposes for which

they certified the funds would be used. The legislation requires the Secretary to respond expeditiously to complaints of a substantial or serious nature that a block grant State has failed to use funds in accordance with the enacting legislation.

The Secretary may institute fiscal sanctions against block grant States which fail to utilize their allotments in accordance with this legislation in several ways. He may withhold funds, require a State to repay the Federal Government, or offset the amounts against future allocations to the State.

The Secretary and the Comptroller General may request, and the block grant would be required to furnish, information about the operation of the block grant within that State. However, the Secretary and the Comptroller General may not require States to compile information not already available within the State.

Fines and imprisonment penalties are established for anyone who knowingly and willingly embezzles, misappropriates, steals, or obtains by fraud, false statements, or forgery, funds, assets, or property provided or financed under the legislation.

A State's initial allocation is based on the State's cost of operating the food stamp program between April 1, 1981, and March 31, 1982. A tentative outline of approximate percentages compiled by the Department of Agriculture follows:

Ratio of operating costs Apr. 1, 1981 through Mar. 31, 1982

	Percent
Northeast:	
Connecticut	0.7288
Maine	.6994
Massachusetts	1.9539
New Hampshire	.2858
Rhode Island	.4148
Vermont	[1].1977
New York	9.0643
Mid-Atlantic:	
Delaware	.2767
District of Columbia	.4963
Maryland	1.7922
New Jersey	2.8768
Pennsylvania	5.0084
Virginia	2.6206
West Virginia	1.2319
Southeast:	
Alabama	3.0003
Florida	5.0482
Georgia	3.1084
Kentucky	2.7304
Mississippi	2.3574
North Carolina	2.7824
South Carolina	2.1492
Tennessee	3.4444
Midwest:	
Illinois	5.0685
Indiana	2.0681
Michigan	4.0611
Minnesota	.8705
Ohio	5.0827
Wisconsin	.9917
Southwest	
Arkansas	1.4231
Louisiana	2.8165
New Mexico	.9230

Oklahoma	.8773
Texas	6.2112
Moutain plains:	
Colorado	.8881
Iowa	.7786
Kansas	.5357
Missouri	1.8851
Montana	[1].2318
Nebraska	.3202
North Dakota	[1].1208
South Dakota	[1].2289
Utah	.3030
Wyoming	[1].0726
Western:	
Alaska	.3250
Arizona	1.2309
California	6.3478
Hawaii	.6896
Idaho	.3546
Nevada	[1].2206
Oregon	1.3413
Washington	1.4106
Total	99.1200

[1] Under the funding formula, a minimum of 0.25 would be provided to each State.
Source: Tentative Statistics provided by U.S. Department of Agriculture.

Payments made under the block grant may be used by the State in the fiscal year for which they are designated or in the succeeding fiscal year. A State's allocation for the following fiscal year would not be affected by any funds carried over to the following fiscal year.

After the second fiscal year in which funds are not expended, the State may use any excess funds on other social services provided pursuant to Federal law, and the State shall inform the Secretary of any such designations. Any unexpended funds not used for other social services shall be returned to the Secretary and added to the funds available to all block grant States for the following fiscal year.

Disabled recipients of Veterans' benefits (Sec. 148)

The Committee accepted an amendment put forward by Senators Leahy, Jepsen, and Dole that would extend the special treatment the food stamp program grants disabled persons to severely disabled recipients of Veterans' benefits.

This proposal would correct a relatively small but important inequity in the food stamp program's treatment of disabled persons. Under present law, the food stamp program recognizes that disabled persons have special needs by allowing them to qualify on a net rather than gross income basis, allowing them to deduct medical expenses (over $35 per month), allowing them to deduct a proportion of their shelter costs with no limit, allowing special considerations for the definition of household composition and allowing an exemption from monthly reporting of income. This special treatment, however, applies only to disabled persons who receive Social Security or Supplemental Security Income (SSI) disability benefits, even though others (i.e., disabled recipients of Veterans' benefits) may be just as needful of special treatment.

Recognizing this inequity, but mindful of the need to limit the administrative burden on State agencies and the availability of the special treatment accorded disabled persons, the Committee's proposal would allow an additional, but restricted class of persons to qualify as disabled for food stamp purposes: severely disabled veterans and disabled survivors of veterans.

Only veterans and survivors of veterans who are receiving Veterans' benefits and who are at least as disabled as those receiving Social Security or SSI disability benefits would qualify under the amendment. In addition, it has been drawn specifically to avoid administrative complexity and the need for food stamp agencies to make disability determinations. Severely disabled veterans would be made eligible for special food stamp treatment by keying to the type of Veterans' benefit they receive (e.g., those qualifying for service-connected 100 percent disability payments). Disabled survivors of veterans would qualify by receipt of certain Veterans' benefits (e.g., children receiving aid as permanently incapable of self-support) or by being medically certified as having one or more of the limited list of disabilities considered permanent enough not to warrant periodic review under the Social Security disability program.

The Committee notes that the change it is proposing is intended to be prospective in application. It is intended to reflect a change in policy and is not a clarification of existing law.

Rounding benefit calculations (Sec. 149)

The Committee's proposal also includes a revision, suggested in all of the major bills under consideration, that would require that, when individual households' benefits are calculated, they be rounded *down* to the nearest whole dollar, rather than rounded to the *nearest* dollar. This would conform food stamp benefit rounding rules with those being proposed for or already used in other Federal programs, and allow the Committee to achieve needed savings without making other, more major changes.

Effective dates (Sec. 153)

The Committee adopted a modifed version of effective dates contained in the bills introduced by Chairman Helms and Senator Dole.

The Committee has been concerned by the slow pace with which some of the provisions enacted in recent years have been implemented. The Department has not yet implemented all of the provisions contained in the Omnibus Budget Reconciliation Act of 1981 or the Food Stamp and Commodity Distribution Amendments of 1981.

To address concerns about the overly broad discretion as to implementation granted to Administrations in recent years, the Committee adopted specific dates by which the Committee would expect previously-passed legislation and the Committee recommendations contained in this legislation to be fully implemented.

The Omnibus Budget Reconciliation Act of 1981 would have to be fully implemented by June 1983, except for provisions for which other dates are specified—for instance, the retrospective account-

ing and monthly reporting requirements are not made mandatory until October 1, 1983.

The provisions of the Food Stamp and Commodity Distribution Amendments of 1981 would have to be fully implemented by July 1983.

The current recommendations would have to be fully implemented by January 1984.

The Department provided the following list of items which have not yet been finalized in regulation and the projected time for completing regulations for the provisions and implementing the provisions.

1. Omnibus Budget Reconciliation Act of 1981:
   Disqualification Penalties for Fraud and Misrepresentation.
   Improved Recovery of Overpayments—
      Proposed rule issued June 22, 1982.
      Final rule scheduled for December 1982.
      Implementation on or before May 1983.
2. Food Stamp and Commodity Distribution Amendments of 1981:
   Household definition—
      Final rule scheduled for July 1982.
      Implementation by October 1982.
   State Issuance Liability—
      Final rule scheduled for September 1982.
      Implementation by October 1982.
   Sixty-day transfer of certification (1316), Notice of Verification (1317), and Minimum Mandatory Court Sentences—
      Final rule scheduled for July 1982.
      Implementation by October 1982.
   Information (Wage Match)—
      Proposed rule issued May 7, 1982.
      Final rule schedule for October 1982.
      Implementation by January 1983.
   Social Security Account Numbers—
      Proposed rule issued April 2, 1982.
      Final rule scheduled October 1982.
      Implementation by January 1983.
   Pilot projects to simplify application processing of AFDC cases—
      Reporting abuses by the public (1314).
      Proposed rule scheduled for July 1982.
   Workfare—
      Proposed rule issued June 8, 1982.
      Final rule scheduled for November 1982.
      Implementation at State option thereafter.
   Alaska's thrifty food plan, energy assistance payments, attribution of income and resources to sponsored aliens, resources, annualization of work registration, work requirements, recertification notice, restoration of lost benefits, and information (photo-identification vendor liability)—
      Proposed rules scheduled by October 1982.
      Final rules scheduled by April 1983.
      Implementation by July 1983.

The Committee is hopeful that the Department can expedite the issuance and implementation of the regulations needed to carry out these policy changes.

DAIRY

As on recurring occasions in the past, Federal outlays and stocks of dairy products are rising rapidly. Although adjustments intended to bring dairy production more in line with demand were made in the dairy price support program in the recently enacted Agriculture and Food Act of 1981, Federal outlays and dairy product purchases continue to increase.

The dairy program cost nearly $2 billion in fiscal year 1981. The Congressional Budget Office predicts that the cost of the dairy program will exceed $2 billion for fiscal 1982. CBO projections indicate program costs of $1.97 billion in fiscal year 1983, $1.8 billion in fiscal year 1984 and $1.7 billion in fiscal year 1985. Dairy farmers, consumers, and taxpayers all agree that further adjustments in the program are required.

The current dairy problem is the manifestation of a series of fundamental biological, social, and economic trends. Well established genetic procedures have increased the productive capacity of each dairy cow at an average rate of more than 2 percent per year over the last 3 decades. Since about 1950, however, total average consumption of milk has increased less than one half of one percent annually. In addition to a more productive dairy cow, lower per capita milk consumption means less existing and potential demand for dairy products.

Milk prices depend heavily on a dairy policy which must both stimulate and limit investment in the industry. This results in a policy dilemma. With the productive capability of each cow increasing concurrently with moderating consumption of dairy products, an equilibrium support price is elusive.

Some uncertainty remains over future adjustments to current dairy policy by the dairy industry. Milk production in first-quarter 1982 increased from a year earlier, but at a slower rate. The number of milk cows on farms decreased from January to March as output per cow remained virtually unchanged from a year ago.

Total output of manufactured dairy products on a milk-equivalent, fat-solids basis increased during the first-quarter of 1982. However, manufactured product output appears to be slowing from the strong gain of early 1981. First-quarter production of butter, non-fat dry milk, and American and other cheese increased at substantially lower rates than in first-quarter 1981.

Commercial disappearance of milk and dairy products posted a moderate 1.7 percent increase from first-quarter 1981 to first-quarter 1982. This increase was a substantial improvement over 4-percent decrease registered from first-quarter 1980 to 1981.

Nevertheless, while some may interpret production adjustments to be indicative of a general trend toward reduced production, such a trend has not yet been clearly established and program costs are predicted to remain considerably above levels acceptable to the general public for some time.

The committee discussed a number of proposals for modifying the dairy program. The Committee agreed to establish a price support floor at $13.10 per hundredweight. This floor would be in effect until September 30, 1985. It was further agreed that the $13.10 price support floor was an interim approach. It is the intention of the Committee to more fully address the dairy program before the end of the 97th Congress.

FARM PROGRAMS

Advance deficiency payments

The Committee recommendations would require that advance deficiency payments be provided to producers for the 1982 and 1983 crops of wheat, feed grains, upland cotton, and rice, and that the Secretary of Agriculture be authorized to make such payments for the 1984 and 1985 crops of these commodities.

Under the Agriculture and Food Act of 1981 (Public Law 97-98), the Secretary of Agriculture is authorized to implement a cropland set-aside (for wheat and feed grains only), land diversion program, or acreage reduction program if the Secretary determines that crop supplies are excessive. If a set-aside or acreage reduction program is implemented, the farmers who comply with the program requirements are then eligible for deficiency payments if the market price for the specified crop falls below the target price. Such payments are usually made part way through the marketing year, several months after harvest.

The Committee recommendation would provide that if a set-aside or acreage reduction program is implemented and the Secretary determines that deficiency payments for the crop will be made to producers, a portion of these payments would be made in advance, at the time a producer expresses his intention to participate in an acreage reduction program or set-aside. These advance payments should provide an immediate financial incentive to participate in USDA's commodity programs, and should provide needed cash flow to economically pressed farmers.

American farmers are now facing their third consecutive year of low farm income. Currently, many family farmers are experiencing severe cash flow problems as a result of a serious cost-price squeeze. Young, highly-leveraged farmers are particularly vulnerable, but even established farmers are not immune. Although farm operating credit has been generally available, at least for well-situated borrowers, it is quite costly.

The farm economy is still suffering from high interest rates, record production levels, and the grain embargo imposed by President Carter on January 4, 1980. Exports have been constrained by the sluggish world economy, large world crop supplies, and weak foreign currencies relative to the dollar.

Participation in USDA's acreage reduction programs will help strengthen farm prices and limit the build-up of U.S. grain stocks in the face of sluggish world demand. Advance deficiency payments will provide farmers ready capital which can be used to meet planting and production costs, if they participate in acreage reduction or set-aside programs. Higher participation rates make these programs more effective in limiting production, which reduces Govern-

ment outlays for price supports and storage payments and provides savings to the taxpayers.

A similar proposal to that adopted by the Committee was contained in S. 2661, introduced by Senator Cochran and Senator Huddleston on June 22, 1982.

On July 14, 1982, Secretary of Agriculture John R. Block announced a 20 percent acreage reduction program for the 1983 crop of wheat and proposed that advance deficiency payments be made, under current discretionary authority which applies to all crops, to those farmers who participate in the wheat program. Participating farmers would receive an advance payment equal to one-half the estimated 1983 crop deficiency payments at the time they sign up.

The Committee recommendation requires the approach taken on wheat to also be applied to the 1983 crops of feed grains, upland cotton, and rice, with the payments to be equal to 50 percent of the estimated deficiency payments. In addition, the Committee recommends that 70 percent of the deficiency payment on 1982 crops be advanced to eligible farmers as soon as practicable after October 1, 1982, and reiterates the Secretary's current discretionary authority to make advance deficiency payments for the 1984 and 1985 crops of these commodities.

Senator Helms offered this proposal for Committee consideration after the Committee had achieved the savings necessary to meet the budget reconciliation instructions. He emphasized that the adoption of this provision would not cause any additional cost to the taxpayers, because it involves a situation where the Government is going to make the payments anyway. That is, it would simply allow farmers to receive a portion of the payments early, with the beneficial effects of improving the cash flow situation for many economically distressed farmers and providing an opportunity to put this capital to more productive use. Senators Cochran and Huddleston spoke in support of the measure, and it was adopted by the Committee.

Senator Melcher then proposed to increase the minimum price support loans for the 1982 through 1985 crops of wheat and feed grains to $4.20 per bushel for wheat and $2.90 per bushel for corn. He stated that this would raise the floor under market prices and allow farmers to receive more income from the marketplace, rather than from direct Government payments. A Congressional Budget Office cost estimate, however, indicated that the cost would exceed budget reconciliation instructions, and the proposal was not adopted. Several Senators indicated that they shared Senator Melcher's concern about inadequate farm prices and the distressed agricultural economy.

AGRICULTURAL EXPORT PROMOTION

The Committee is fully aware of the distressed economic situation besetting the U.S. farm economy. Although the rate of general price inflation has declined considerably since the beginning of 1982, interest rates and other cost components of producing agricultural commodities remain high, and in some cases, exceed the prices for which the agricultural commodities can be sold.

Generally, favorable weather over the last 3 years has contributed to a world grain stocks buildup that has put considerable pressure on grain prices. Also, the United States is holding a greater share of the increase in total world stocks than at any time during the last 20 years. For the 1981–82 marketing year, world grain stocks are expected to increase by 35 million metric tons to 190 million metric tons. In the United States, stocks are estimated to increase by 33 million metric tons or more than 50 percent, from 62 million metric tons to 95 million metric tons.

At the same time that world grain stocks are increasing, recessionary impacts on the world economy are causing depressed overall demand. The aggregate effect of high stocks and weak demand further exacerbates the United States position as a residual supplier of agricultural commodities on the world market.

Most agricultural exporting countries other than the United States have at their disposal mechanisms that aid export movement of their agricultural surpluses. These same countries have limited storage capacity that in effect assures movement of surpluses into world markets at any price.

The Committee recognizes that the U.S. agricultural export sector is at a disadvantage relative to other exporting nations. The disadvantage stems from a lack of willingness on the part of foreign exporting nations to curtail their production, to increase their storage capacity to increase their own domestic stocks, or to refrain from aggressive export marketing during periods of excess supply and weak demand. In order to assure the United States a fair share of the current market damand and of any increase in foreign demand for foodstuffs, based on competitive advantage, and to help reduce U.S. domestic stocks without requiring major reductions in production, the Committee adopted the proposal to require the Secretary of Agriculture to use between $175 million and $190 million of Commodity Credit Corporation funds for agricultural export promotion activities to discourage and neutralize agricultural export subsidy programs by foreign countries. The Secretary would be required to use the funds to buy-down the rate of interest on export credit financing for a term of up to 10 years or to initiate price subsidy programs with respect to one or more agricultural commodities that have been or are involved in unfair trade practice cases under section 301 of the Trade Act of 1974, as amended, as the Secretary determines appropriate to neutralize subsidies on the same commodities by foreign countries. In addition, the Secretary would be authorized to guarantee the repayment of loans for which interest reduction payments are made. The Committee recommendations also provide for the Secretary to target the subsidies to maximize the effects in neutralizing foreign subsidies and require the Secretary to safeguard the usual marketings of U.S. agricultural commodities.

The Committee proposal recognizes the fact that the United States must rely on export demand for absorbing almost 40 percent of U.S. agricultural production unless the domestic production is reduced drastically. Also, the Committee affirmed its preference for having U.S. farmers derive their income from the market and not governmental sources.

The Agriculture and Food Act of 1981 provided authority to the Secretary of Agriculture to formulate a special standby export subsidy program in order to neutralize the effects of agricultural export subsidy programs of agricultural exporting foreign nations or their instrumentalities. The purpose of this authority was to permit the Secretary to take action as necessary to neutralize export subsidy programs by foreign nations to allow U.S. agricultural exports to better meet nonmarket advantage in world agricultural export trade. Without this governmental assistance by foreign countries, their agricultural exports would not otherwise be competitive in foreign markets because of domestic cost considerations.

The authority in the Agriculture and Food Act of 1981 to formulate and implement the standby export subsidy program is discretionary, and may be exercised only after the President makes certain determinations with regard to U.S. trade law. While the Committee wishes to permit the President ample time to pursue trade complaints under the dispute settlements procedure through the General Agreement on Tariffs and Trade (GATT) and remedies available under U.S. trade law, it appears to the Committee that countries that are currently utilizing several mechanisms to undercut U.S. agricultural export sales have no intention of discontinuing their application. Therefore, the Committee considers it necessary that the Secretary have the authority to act to neutralize subsidies in the event that the President is unsuccessful in achieving reductions or eliminations of export subsidies.

Authority for the Secretary to make direct payments to individuals who finance agricultural export sales so as to lower the effective rate of interest will substantially enhance U.S. export potential. Agricultural exporting nations such as France and Canada have provided below market rates of interest for financing agricultural exports. Because of the particularly high cost of storing agricultural commodities as a result of high interest rates, subsidizing the interest rates on sales of agricultural commodities is a very effective marketing tool. This approach is believed to be much more effective than direct governmental credit assistance. It has been estimated that the use of this mechanism could result in agricultural exports six to seven times higher than the volume that would be sold under other approaches with the same amount of direct government outlays.

In adopting this proposal, the Committee hopes to discourage the use of export subsidies by foreign countries or instrumentalities and to improve the ability of the United States to neutralize the effects of export subsidies on agricultural commodities or products by foreign countries or their instrumentalities.

SECTION-BY-SECTION ANALYSIS

SUBTITLE A—FOOD STAMP PROGRAM REDUCTIONS

Households

Section 102 would amend the definition of the term "household" in section 3(i) of the Food Stamp Act of 1977 (the "Act") so that related individuals who live together, not just parents and children

as under current law, must be treated as one household for purposes of determining food stamp eligibility and benefits. This single household structure is required even if the group of individuals does not usually purchase and prepare meals together. This provision would prevent groups of related individuals from applying as separate household units in order to be determined as collectively eligible for more benefits than they would be eligible for as one household unit.

Related persons who are 60 years of age or older or disabled could be exempt from this provision and certified as separate households if they purchase and prepare food apart from the related individuals with whom they live.

Thrifty food plan adjustments

Section 103 would amend the definition of the term "thrifty food plan" in section 3 of the Act to require that the thrifty food plan adjustment scheduled for October 1, 1982, be based on changes in the cost of the thrifty food plan for the 18 months ending March 31, 1982. It would also require that the October 1, 1983, thrifty food plan adjustment be based on changes in the cost of the plan for the 13 months ending April 30, 1983; the October 1, 1984, thrifty food plan adjustment be based on changes in the cost of the plan for the 13 months ending May 31, 1984; the October 1, 1985, thrifty food plan adjustment be based on changes in the cost of the plan for the 13 months ending the preceding June 30; and all subsequent October 1 adjustments in the thrifty food plan be based on changes in the cost of the plan for the 12 months ending the preceding June 30.

Income standards of eligibility

Section 104 would amend the income standards of eligibility in section 5(c) of the Act to provide that households without an elderly or disabled member must meet both a net income test, set at 100 percent of the poverty line, and a gross income test, set at 130 percent of the poverty line. Currently, these households must meet only the 130 percent poverty gross income test. Households with elderly or disabled members would continue to be exempt from a gross income test and remain eligible if their net income is less than 100 percent of the poverty line.

Coordination of cost-of-living adjustments

Section 105 would amend section 5(d) of the Act to add an income exclusion. Increases in household income attributable to cost-of-living adjustments to social security, supplemental security income (SSI), railroad retirement, and certain veterans benefits which are made on or after July 1 would be excluded from consideration as income for food stamp purposes through September 30 of that year. This provision would apply only to those households who are certified as eligible to participate in the food stamp program or who receive an allotment in the month preceding the July adjustment.

Adjustment of deductions

Section 106 would amend section 5(e) of the Act to delay the next scheduled adjustment of the standard deduction and the cap on the

dependent care/excess shelter expense deduction. Currently, the Act provides for an adjustment of both the standard deduction and the cap on July 1, 1983, to reflect inflation during the 15-month period ending March 31, 1983. This section would delay adjustment of the cap on the dependent care/excess shelter expense deduction until October 1, 1983, but the adjustment would reflect changes in the shelter, fuel, and utilities components of housing costs in the Consumer Price Index (CPI) over the same 15-month period. The section would delay adjustment of the standard deduction until October 1, 1984. This adjustment would reflect CPI changes during the 21-month period ending September 30, 1983. On October 1, 1985, the adjustment of the standard deduction would be based on CPI changes during the 21 months ending June 30, 1985, and for each October after that the adjustments would reflect CPI changes for a 12-month period ending the preceding June 30.

Standard utility allowances

Section 107 would amend section 5(e) of the Act to provide that State agencies may use standard utility allowances in computing households' excess shelter expense deductions. Such allowances would not have to reflect seasonal variations in utility costs. State agencies could not use such an allowance for households which do not incur heating or cooling expenses, or which do incur heating or cooling expenses but which are public housing households with central utility meters and are charged only for excess utility costs. If the food stamp household shares a dwelling with others, whether they are participating in the food stamp program or not, the standard utility allowance would be prorated between the household and those persons. This provision would supersede current Departmental regulations which mandate that all States develop utility standards for use by households which do not document higher utility costs. State agencies would be able to choose between using a standard utility allowance or actual costs.

Financial resources

Section 108 would amend section 5(g) of the Act to provide that the Secretary shall follow the regulations in force as of June 1, 1982 (other than those relating to licensed vehicles), in prescribing inclusions in and exclusions from financial resource limitations.

Section 108 would further amend section 5(g) to provide that any savings or individual retirement accounts and any accessible pensions be included in the household assets definition. Under current regulations, individual retirement accounts and accessible pensions are excluded from this definition.

Categorical eligibility

Section 109 would amend section 5 of the Act to permit State agencies to waive food stamp resource limitations for households, all of whose members receive aid to families with dependent children benefits and whose gross household income do not exceed 130 percent of the poverty level.

Periodic report forms

Section 110 would amend section 6(c) of the Act to delete the requirement that reports of changes in income and household circumstances from households that are not required to file periodic reports be on forms designed or approved by the Secretary.

Reporting requirements

Section 111 would amend section 6(c) of the Act to allow the Secretary to waive, upon request from the State agency, provisions of the Act concerning periodic reporting by households. Waivers would be granted as necessary to permit the State agency to establish periodic reporting requirements for purposes of the Act that are similar to the periodic reporting requirements established under the State plan under title IV-A of the Social Security Act for aid to families with dependent children. However, the Secretary would not be permitted to waive the provisions which exempt certain households from the requirement to submit periodic reports. These exempt households include migrant households and households with no earned income in which all members are elderly or disabled.

Employment requirements

Section 112 would amend section 6(d) of the Act to revise the work requirements. The current requirements regarding work registration, job search, voluntary quit and the acceptance of employment which is offered at prescribed wage levels (so long as the work site is not subject to a strike or lockout) are retained as conditions of eligibility. The provision would add to these requirements authority for the Secretary to require applicants for food stamp benefits, as well as program participants, to comply with job search procedures. During the period between the application and the eligibility determination, job search procedures for applicants could be the same as for participants. If they failed to perform required actions during the application processing period, their eligibility would be denied or, if certification action had been completed, their cases would be terminated. If they found jobs during the pre-certification search period, their eligibility and benefits would be determined using the income from such employment.

Failure of a household member to comply with the job search requirements would result in disqualification of the household until compliance is accomplished. Household members subject to work registration would also be required to report for employment interviews, provide information about employment status or availability for work, and report to an employer to whom they are referred by designated agencies.

The provision would also increase the period of disqualification from 60 to 90 days for participating households whose heads voluntarily quit a job. In addition, the provision removes the current requirement that the disqualification period begin on the date of the quit for participants.

This section also provides that public employees who engage in a strike against the Federal Government, a State or political subdivision and are dismissed from employment for that reason would be considered to have quit their job voluntarily and without good cause. Consequently, households with such a member who is head of the household would be disqualified from participating in the program for 90 days.

Parents and caretakers of children

Section 113 would repeal clause (C) of section 6(d)(2) of the Act. This would eliminate the current exemption from the work requirements for "second" parents and caretakers of children in households in which there is another parent who is subject to those requirements.

Under the current exemption, "second parents" do not have to meet food stamp work requirements if they are caring for a child aged 18 or younger, while single parents are exempt under the child-care provision only if the child is age 6 or younger. With the deletion of the current exemption, the "second" parent would have to meet work requirements, unless caring for a child aged 6 or younger or unless exempt under one of the other exemption categories.

Hours of employment

Section 114 would amend section 6(d) of the Act to increase to 150 hours per month, the number of hours household members, who are otherwise not exempt from the food stamp work requirements, must work to be exempt from these requirements. The revised monthly "wage equivalency" minimum would be 150 times the Federal minimum hourly wage, which is currently $3.35.

Under current law, able-bodied household members between 18 and 60 years of age are exempt from food stamp work requirements if they work 30 hours a week or have weekly earnings equivalent to 30 hours times the Federal minimum wage.

Joint employment regulations

Section 115 would amend section 6(d) of the Act to delete the requirement that agencies assigned responsibility for administering food stamp work requirements comply with regulations patterned after those used in the work incentive program and issued jointly by the Secretary and the Secretary of Labor.

College students

Section 116 would amend section 6(e) of the Act to change the eligibility requirements for college students. Under the revision, physically and mentally fit college students between 18 and 60 years of age would be eligible to participate only if the individual is employed at least 20 hours a week or participating in a federally-financed work study program, is a parent with responsibility for the care of a child under 6 years of age, the work incentive (WIN) program, or is receiving aid to families with dependent children (AFDC) benefits and, thus, meeting AFDC work requirements. The receipt of AFDC benefits is a new qualifying factor.

Aliens

Section 117 would amend section 6(f) of the Act to require that the entire income of an ineligible alien who is living with an applicant or recipient household be considered as available to the household.

Under the current statute, an ineligible alien's income is counted as household income after a prorata share is deducted.

Prorating benefits

Section 118 would amend section 8 of the Act to provide for prorating food stamp benefits for eligible households if there has been any break in the household's participation in the program. The proration of benefits is currently permitted only during the initial month of household participation in the program or when a break in household participation in the program is longer than 30 days.

Noncompliance with other programs

Section 119 would amend section 8 of the Act to prohibit increases in food stamp benefits which would result from decreases in income due to penalties imposed by intentional noncompliance with Federal, State, or local welfare or public assistance programs. This provision has no effect upon the size of the food stamp allotment resulting from other changes in the household's income.

The size of the food stamp allotment is directly dependent upon the amount of income the household received. Under current law, if household income fails because of another program's penalty, food stamp benefits rise at a rate of 30 cents per $1 decrease.

House-to-house trade routes

Section 120 would amend section 9 of the Act to require the Secretary to limit participation by house-to-house trade routes (vendors) in areas which the Secretary, in consultation with the Department's Inspector General, finds that their participation damages the integrity of the food stamp program. If such a finding is made, the Secretary would be required to limit participation to those house-to-house trade routes that are reasonably necessary to provide households with adequate access to food.

Approval of state plan of operation

Section 121 would amend section 11(d) of the Act, which requires states desiring to participate in the food stamp program to submit a State plan of operation. The section would prohibit the Secretary from requiring, as a part of the plant approval process, that the State agency submit for prior approval, various documents and materials developed by the State agency. These documents and materials include State agency instructions to staff, policy interpretations, State agency administrative methods, forms, documents, memoranda, bulletins or other materials. However, the secretary could require that the State agency submit such documents and materials for prior approval if the State agency determines that they change the State plan of operation or conflict with the rights and benefit entitlements of households. As required by other sections of the Act, the State agency would be required to submit its

application and monthly report forms for prior approval if the agency chooses not to use the forms developed by the Secretary.

Bilingual personnel and material

Section 122 would amend section 11(e) of the Act to permit States, at their option, to provide bilingual personnel and printed material in the administration of the food stamp program. This section would delete the current requirement that a State agency use appropriate bilingual personnel and printed material in the administration of the program in areas where there are substantial numbers of low-income households whose members do not speak English. Under this amendment, the administrative costs incurred by the State agency in providing optional bilingual services would continue to be funded at the same rate as other administrative costs.

Points and hours of certification issuance

Section 123 would amend sections 11(e)(2) and (13) of the Act to eliminate the requirement that State agencies comply with minimum standards for points (locations) and hours of certification and issuance of coupons. Current regulations impose detailed service requirements for points and hours of certification and issuance. The amendment would allow State agencies to establish their own standards.

Authorized representatives

Section 124 would amend section 11(e)(7) of the Act to allow the Secretary to restrict the number of households which an individual may be authorized to represent. The section would also allow the Secretary to establish criteria and verification standards for determining which households may use authorized representatives and which individuals may act as authorized representatives.

Disclosure of information

Section 125 would amend section 11(e)(8) of the Act to permit persons directly connected with the administration or enforcement of other Federal assistance programs and federally-assisted State programs to have access to information provided by food stamp program applicants. The Act currently limits access to information provided by applicants to persons directly connected with the administration or enforcement of the Act or the regulations, the Comptroller General of the United States, and local, State and Federal law enforcement officials investigating an alleged violation of the Act or regulations. The section would allow administrators of the various Federal and federally-assisted State programs to cross-check information submitted by program applicants.

Expedited coupon issuance

Section 126 would amend section 11(e)(9) of the Act to revise the provisions for expedited application processing and coupon issuance. The section would require that the State agency must provide food stamps within 5 days after the date of application for households which qualify for expedited service. To qualify for expedited service, the household must have monthly gross income of less than $85 or be a destitute migrant or seasonal farmworker house-

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hold. Also, the household could not have liquid resources exceeding $100. Except for destitute migrant and seasonal farmworker households, the State agency would not be required to provide expedited service to a household more than once in a 6-month period. The section would require the State agency to verify, to the extent practicable, household income and resources prior to providing expedited service.

Prompt reduction or termination of benefits

Section 127 would amend section 11(e)(10) of the Act to exempt from regular notice of adverse action requirements, reductions or terminations of food stamp benefits based on written household reports. Under the provision, a State agency could immediately reduce or terminate a household's food stamp benefits and provide notice of such action as late as the normal delivery date of allotments in those cases which the State agency receives from the household a written statement containing information that clearly requires a reduction or termination of the household's benefits.

Duplication of coupons in more than one jurisdiction within a State

Section 128 would amend section 11 of the Act to require that States establish measures for preventing and detecting multiple participation by persons in the food stamp program. Under the provision, States would be required to establish a system and take action on a periodic basis to verify and otherwise assure that an individual does not receive coupons in more than one jurisdiction within a State.

Certification systems

Section 129 would amend section 11(i) of the Act to make optional the requirements that aid to families with dependent children (AFDC) and general assistance households have their food stamp applications contained in their AFDC or general assistance applications and that food stamp applicants be certified for participation in the food stamp program based on reaosnably verified information in their public assistance or general assistance case files. This section would retain the requirement that single interviews be conducted to determine eligibility for both AFCD and food stamps, and that supplemental security income recipients be able to apply for food stamps at the social security office through submission of a simple application.

Cashed-out programs

Section 130 would amend section 11 of the Act to require at least annual verification and implementation of other measures to ensure that participants who receive cash benefits in lieu of food stamps (i.e., in "cash-out" States or demonstration projects) do not also receive food stamps. The Act currently authorizes cash-out demonstration projects for households composed entirely of elderly persons and households with members entitled to supplemental security income (SSI) or to aid to families with dependent children (AFDC) benefits. The Act also provides that SSI recipients are ineli-

gible for food stamps in States that provide SSI recipients with State supplementary payments that have been increased specifically to include the value of food stamps (currently, California and Wisconsin). This amendment to the statute would require special efforts to prevent the issuance of double benefits—cash plus food stamps—in these situtations. Such efforts would include matching the participation rolls of the food stamp program against those of other programs.

Interest and dividend income

Section 131 would amend section 11 of the Act to authorize the Secretary, in consultation with the Department's Inspector General, to require State agencies or the Inspector General or both, to request and use information available from the Internal Revenue Service pertaining to the interest and dividend income of households in any State or area if the Secretary determines the use of such information would aid in protecting the integrity of the food stamp program in the State or area. Obtaining this information would permit State agencies or the Inspector General to match interest and dividend information in IRS files with food stamp household casefile information. The provision would also amend the Internal Revenue Code to require the Secretary of the Treasury to disclose taxpayer return information, upon written request to employees of the appropriate Federal, State, or local agency administering a federally funded needs-based program but only for purposes of determining eligibility and benefit levels.

Issuance procedures

Section 132 would amend section 11 of the Act to allow the Secretary to require a State agency to use new or modified issuance procedures for the issuance of food stamp coupons if such procedures are consistent with the Act and the Secretary finds that such procedures would improve program integrity and be cost effective. This provision would permit the Secretary to require State agencies to change their issuance systems in areas with significant issuance problems, such as mail losses, thefts and duplicate issuances.

Amount of penalty and length of disqualification

Section 133 would amend section 12 of the Act to increase from $5,000 to $10,000 per violation the maximum civil money penalty that may be imposed by the Secretary on a retail or wholesale food concern that violates the Act or regulations. The provision would also specify the disqualification periods for such violations. These periods would be no less than 6 months nor more than 5 years for the first disqualification, no less than 12 months nor more than 10 years for the second disqualification, and permanently for the third disqualification or for disqualification based on the purchase of food stamps or trafficking in food stamps or authorization cards. As under current law, a civil money penalty may be imposed in lieu of disqualification if the Secretary determines that disqualification of the retailer or wholesaler would cause a hardship to food stamp households.

Bonds

Section 134 would amend section 12 of the Act to authorize the Secretary to require that retail food stores or wholesale food concerns that have been disqualified or subjected to a civil money penalty for violating the Act or regulations furnish a bond to cover the value of coupons which the store or concern may in the future accept and redeem in violation of the Act. The Secretary would be authorized to prescribe the amount, terms and conditions of such bonds. If a retailer or wholesaler who has furnished a bond is subsequently found to have illegally redeemed food stamps, they would forfeit a portion of the bond equal to the illegal redemptions. Retailers and wholesalers could request administrative and judicial review of such forfeitures.

Alternative means of collection of overissuances

Section 135 would amend section 13(b) of the Act to give State agencies the authority to collect claims arising from food stamp overissuances by means other than cash repayment or allotment reduction when the claims have not been collected through these methods. Examples of "other means" would be use of collection agencies, court-ordered garnishments, or liens against household property.

Claims collection procedures

Section 136 would amend section 13(b) of the act to allow households 30 days to choose between allotment reduction and cash repayment in connection with the repayment of claims resulting from the disqualification of a member for fraud or intentional misrepresentation. If the household fails to elect either an allotment reduction or cash repayment within 30 days of the State agency's demand to do so, or if it elects to make a payment in cash and fails to do so, the household would be subject to an allotment reduction.

Food stamp intercept of unemployment benefits

Section 137 would amend sections 13 and 11(e) of the Act and section 303 of the Social Security Act to permit State agencies to recover from unemployment compensation benefits any uncollected overissuances of food stamp benefits which occurred in connection with the disqualification of household members for fraud or intentional misrepresentation. Such recoveries could be made either by means of an agreement with the individual to whom the compensation would be payable to have specified amounts withheld or by means of a court order to require withholding of amounts from unemployment compensation benefits.

The State agency administering the unemployment compensation law would be authorized (1) to require applicants for unemployment compensation benefits to disclose whether they have received any uncollected food stamp overissuance, (2) to notify the food stamp State agency of eligible applicants with uncollected food stamp overissuances, and (3) to withhold from unemployment compensation benefits due an individual the amounts determined by agreement between the food stamp State agency and such individual or amounts determined by a court. The food stamp State agency

would be required to reimburse the State agency administering unemployment compensation benefits for the administrative costs incurred in this activity. Since amounts recovered from unemployment compensation benefits would be treated as claims collections, State agencies could retain 50 percent of such recoveries.

Food stamp intercept of Federal tax refunds

Section 138 would amend sections 13 and 11(e) of the Act and section 6402 of the Internal Revenue Code of 1954 to provide a mechanism whereby State agencies may recover from Federal tax refunds uncollected overissuances of food stamps determined in connection with the disqualification of food stamp household members for fraud or intentional misrepresentation. Under the provision, State agencies could inform the Secretary of the Treasury of the identity of individuals who have received such uncollected overissuances and the amounts of the overissuances. Upon receiving such a notice, the Secretary of the Treasury would determine whether any Federal tax refunds are due the named individual. If so, the amount of the uncollected overissuance would be withheld from any refund due the individual and paid to the State agency.

The Secretary of the Treasury would be required to prescribe procedures for submitting notices of uncollected overissuances and fees that a State must pay to reimburse the Secretary of the Treasury for the full cost of applying this offset procedure. The Secretary of the Treasury would also be required to advise the Secretary of Agriculture at least annually as to which States have requested recoveries of uncollected overissuances, how many requests each State has made, the amounts of recoveries sought, and the amount of recoveries actually made.

Uncollected overissuances under this provision are overissuances of food stamps that have not been collected by cash payments or allotment reductions or by withholding amounts from unemployment compensation. Uncollected overissuances of less than $100 would not be subject to this recovery procedure.

The offset of such overissuances against overpayments of Federal tax would have priority over the individual's future tax liability. The provision would be effective for tax years beginning in 1982.

Cost-sharing for collection of overissuances

Section 139 would amend section 16(a) of the Act to extend the provision allowing State agencies to retain 50 percent of food stamp overissuances collected from households disqualified for fraud or intentional misrepresentation. Under this provision, the State agency could retain 50 percent of overissuances collected in accordance with new procedures in the bill for intercepting unemployment compensation benefits or Federal income tax refunds to recover uncollected overissuances from households disqualified for fraud or intentional misrepresentation. The amendment would continue the prohibition against State agencies retaining any share of claims collected for overissuances which occur as a result of State agency error.

Error rate reduction system

Section 140 would amend section 16 of the Act to replace the current system or sanctions and incentives to promote reductions in erroneous payments (as measured by "error rates") with a new set of sanctions and incentives and new, lower targets for reduction of erroneous payments.

Under the current system, State agency error rates (as established by semi-annual Quality Control surveys of samples of the food stamp caseload) are compared to a variable national average error rate in order to determine States' liability to the Federal Government. If a State's error rate is above the national average and if it has not reduced its rate of error by an annual rate set by the Secretary, it is *liable* for the cost of erroneously issued benefits to the extent its error rate exceeds the national average or the error rate it should have achieved if it had reduced its error rate by the annual rate set by the Secretary, whichever is higher. In addition, States with very low error rates are granted *incentive* payments: (1) an increase in their normal (50 percent) Federal share of administrative costs, to 65 percent, if they have a cumulative error rate below 5 percent; (2) an increase, to 60 percent, if their cumulative error rate is below 8 percent (or the national average, if lower), but above 5 percent; or (3) an increase, to 55 percent, if their annual rate of error reduction is 25 percent or more. In order to receive an increased Federal share of administrative expenses, a State must also have a rate of improper denials or terminations below the national average rate.

The amendment would establish new national targets for accuracy to be used in determining sanctions. These national targets would call for error rates not exceeding 9, 7, and 5 percent for fiscal years 1983, 1984, and 1985 (or thereafter) respectively. For the purposes of establishing sanctions, only the payment error rate (overissuances to eligible households plus issuances to ineligible households) would be counted. State agencies which do not meet these national error rate targets and which cannot show good cause or are not making satisfactory progress toward meeting these goals would receive reduced administrative funding from the Federal Government. To qualify as making satisfactory progress in fiscal year 1983, a State agency would have to reduce its error rate by at least ⅓ of the difference between its error rate in the period October 1, 1980, to March 31, 1981, and the ultimate 5 percent target. In fiscal year 1984, it would have to reduce its error rate by ⅔ the difference, and in fiscal year 1985 the 5 percent target would have to be met. For example, if a State agency had an error rate of 14 percent in the period October 1, 1980, to March 31, 1981, it would have to achieve an error rate of no more than 11 percent in fiscal year 1983. In fiscal year 1984, the State agency would have to achieve an error rate of no more than 8 percent, and in fiscal year 1985 it would have to meet the 5 percent target.

A State agency which does not meet the national targets and is not making satisfactory progress would have its Federal share of administrative funding reduced by 5 percent for each percentage point (or fraction thereof) that its error rate exceeds its satisfactory progress goal. The State agency's administrative funding would be

reduced by an *additional* 5 percent for each percentage point (or fraction thereof) by which the State agency's error rate exceeds its satisfactory progress goal by more than 3 percentage points. Any reduction in a State agency's administrative costs would be limited to an amount obtained by multiplying the State's annual food stamp issuance by the percent by which its error rate exceeds its satisfactory progress goal.

A third component of the amendment would revise the current system of incentive payments for States with low error rates. States with error rates below 5 percent, when combined with the percent of benefits found to be underissued, would be eligible to receive an increase, to 60 percent, in the Federal share of their administrative costs, as long as they also have a rate of invalid decisions in denying eligibility that is less than a percentage determined reasonable by the Secretary.

The amendment would also establish the Secretary's authority to require States to report on error rates or to use available pertinent information in computing error rates if a State fails to report, and establishes States' rights to administrative and judicial review of administrative cost reductions under the system of sanctions.

Employment requirement pilot project

Section 141 would amend the Act to allow the Secretary to conduct a pilot project in each of the seven administrative regions of the Food and Nutrition Service in which (with certain exceptions) able-bodied persons between the ages of 18 and 59 who are not employed at least 20 hours per week or participating in an approved workfare program would be ineligible for assistance under the food stamp program. A nonexempt person subject to this provision who was terminated from State or Federal unemployment compensation would be ineligible to participate in the food stamp program if the person had not been employed at least 20 hours per week or had not participated in an approved workfare program during a period of 30 or more consecutive days prior to (1) the date of the person's application for benefits or (2) the date on which food stamps were issued to the person. Any other nonexempt person subject to this provision would be ineligible to participate in the food stamp program if the person had not been employed at least 20 hours per week or had not participated in an approved workfare program during a period of 60 or more consecutive days prior to (1) the date of the person's application for benefits or (2) the date on which food stamps were issued to the person. After being disqualified, a person could reestablish eligibility by becoming employed at least 20 hours per week or participating in an approved workfare program.

This provision would not apply to a person who (1) is under 18 or over 59 years of age, (2) is certified by a physician as physically or mentally unfit for employment, (3) is a parent or other member of a household responsible for the care of a child under age 6 or of an incapacitated person, (4) is a parent or other caretaker of a child under age 6 in a household in which there is another parent employed at least 20 hours per week or participating in a workfare program, or (5) is complying with work registration and job search requirements and demonstrates, in a manner prescribed by the

Secretary, that he or she is able and willing to accept employment, but is unable to obtain such employment.

The Secretary would be authorized to waive the disqualification provisions for all or part of any project area if the Secretary finds that the area has an unemployment rate exceeding 10 percent or does not have a sufficient number of jobs to provide employment for the persons subject to this provision.

Benefit reduction study

Section 142 would amend section 17 of the Act to require the Secretary to study the effects of the food stamp program benefit reductions mandated by the Omnibus Budget Reconciliation Act of 1981, the Food Stamp and Commodity Distribution Amendments of 1981, this bill, and any other laws enacted by the Ninety-Seventh Congress. The study is to include an assessment of the effects of retrospective accounting and periodic reporting. An interim report is due by February 1, 1984, and a final report is due by March 1985. The reports are to be submitted to the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry.

Authorization extension

Section 143 would amend section 18(a) of the Act to extend the authorization for the program through fiscal year 1985. The amendment would authorize appropriations of $11.9 billion, $12.3 billion, and $13.2 billion for fiscal years 1983, 1984, and 1985, respectively. The amendment would separately authorize $825 million for a food assistance block grant to Puerto Rico for each of the fiscal years 1983, 1984, and 1985.

Similar workfare programs

Section 144 would amend section 20 of the Act to require the Secretary to establish guidelines which, to the maximum extent practicable, would enable political subdivisions to design and operate food stamp workfare programs which are compatible and consistent with similar workfare programs operated by the subdivisions. The amendment also stipulates that political subdivisions may comply with the food stamp workfare requirements by operating a workfare program under title IV of the Social Security Act or any other workfare program which the Secretary determines meets the provisions and protections provided under the food stamp workfare provisions.

WIN participants

Section 145 would amend section 20 of the Act to permit an operating agency to exclude from workfare requirements a person who receives at least 20 hours of work or work training under the work incentive program. Currently, such persons are exempted from the workfare requirements by the Act.

Hours of workfare

Section 146 would amend section 20 of the Act to raise the number of hours of work required under workfare, from 20 to 30 hours each week. This provision retains the current limit of 30

hours per week for the combination of workfare and all other employment.

State block grant option

Section 147 would add a new section 21 to the Act to authorize optional low-income nutrition assistance block grants in lieu of the Federal food stamp program. Effective October 1, 1982, this provision would allow the State to elect to operate a low-income nutritional assistance program of their own design, instead of the Federal food stamp program.

States electing to take part in this voluntary block grant system would receive, at the start of the fiscal year, a percentage of the annual Federal food stamp appropriation, other than the amount appropriated for Puerto Rico, which is equal to their proportionate share of (1) food stamp benefits, (2) cash benefits in lieu of food stamps, and (3) the Federal share of the State administrative expenses during the period April 1, 1981 through March 31, 1982. No State would receive less than 0.25 percent of the non-Puerto Rico food stamp appropriation.

At the discretion of the Secretary, Indian tribes located in block grant states would be assisted directly with a special allotment from the states' grant, if the Indian tribes so request.

States electing to receive a block grant would prescribe eligibility requirements for nutrition assistance and the type and amount of assistance to be provided to needy persons. No state could receive block grants funds unless its legislature conducts public hearings, at least biennially, on the proposed use and distribution of the funds. States would be required to assess the nutritional needs of low income persons on a regular basis, certify that they will use the funds made available to raise the nutritional level of residents of low-income households, refrain from using any of these funds for construction, designate a single State agency which would be responsible for administration and oversight, comply with national nondiscrimination laws and provide for fiscal controls and audits.

The Comptroller General would evaluate expenditures of block grant States to assure compliance with the Act and to determine the effectiveness of the States in meeting the purposes of the Act. The Department would investigate complaints and could withhold funds if a State misused grant funds. If a block grant State failed to comply with program requirements after prior notice from the Secretary, the Secretary could refer the matter to the Attorney General for appropriate action, exercise the powers and functions provided under various Federal nondiscrimination laws and take over action provided for by law. Funds provided to a State and not expended in the fiscal year for which they are paid or in the succeeding fiscal year could be expended on other social services provided pursuant to Federal law.

Disabled veterans and survivors

Section 148 would amend section 3 of the Act to add a new definition of "elderly or disabled member". This new term would include a member of a household who (1) is 60 years of age or over, (2) receives supplemental security income benefits, (3) receives disability or blindness payments under the Social Security Act, (4) a

totally disabled veteran, (5) a veteran considered in need of regular aid and attendance or permanently housebound, or (6) a disabled surviving spouse or child of a veteran.

The definition of "elderly or disabled member" is incorporated into the definition of the term "household", the income standards of eligibility, the adjustments for the dependent care/excess shelter expense and excess medical expense deductions, and the exclusion from periodic reporting.

Rounding down

Section 149 would amend sections 3, 5, and 8 of the Act to change current rounding rules. First, this section would amend section 3(o) to require that adjustments in the thrifty food plan be rounded down to the nearest lower dollar instead of up or down to the nearest dollar, as is currently required. Also, the Department would use the unrounded four-person thrifty food plan in calculating the plan for other household sizes. Second, section 5(e) would be amended to require that adjustments to the standard deduction and the dependent care/excess shelter expense cap be rounded down to the nearest whole dollar instead of up or down to the nearest $5. Third, this section would amend section 8(a) to require that households' food stamp allotments be rounded down to the nearest whole dollar rather than up or down to the nearest dollar.

Studies

Section 150 would amend sections 5, 8, and 17 of the Act to delete the requirements for studies and reports which have been completed. The section deletes requirements for reporting on (1) the study of asset standards, (2) the elimination of the food stamp purchase requirement, (3) the recovery of food stamp benefits from households having incomes equal to twice that of the poverty line, and (4) the accuracy of indexation bases used or considered for use in the food stamp program.

Technical corrections

Section 151 would amend sections 5, 6, 11, and 16 of the Act to make various technical corrections. Section 5(f) would be amended to correct a spelling error. Sections 6(g), 11 (i) and (j), and 16(e) would be amended to reflect the Department of Health, Education and Welfare's name change to the Department of Health and Human Services. The punctuation at the end of section 16(f) would be revised.

Conforming amendments

Section 152 would amend various sections of the Act to make conforming amendments required because of the other changes made by the Act.

Effective dates

Section 153 provides that, except as provided in section 138 of the bill relating to food stamp intercept of Federal tax refunds, the provisions of subtitle A of title I of the bill relating to food stamp program reductions would be effective October 1, 1982 and implemented no later than January 1, 1984.

Section 153 also amends section 117 of the Omnibus Budget Reconciliation Act of 1981 (effective dates) to provide that the food stamp provisions of that Act, with the exception of the retrospective accounting and periodic reporting provisions which will be effective on October 1, 1983, would be effective on August 13, 1981 and implemented no later than June 1, 1983.

Section 153 would also amend section 1338 of the Food Stamp and Commodity Distribution Amendments of 1981 (the food stamp title of the farm bill) to provide that the provisions of that title, except as otherwise specifically provided, would be effective on December 22, 1981 and implemented no later than July 1, 1983.

SUBTITLE B—DAIRY

Milk price support

Section 154 would amend section 201(c) of the Agricultural Act of 1949, as amended by the Agriculture and Food Act of 1981 (P.L. 97–98), to provide that, effective for the period beginning with December 22, 1981, and ending September 30, 1985, the support price for milk shall be set at the level determined appropriate by the Secretary, but not less than $13.10 per hundredweight for milk containing 3.67 percent milk fat.

SUBTITLE C—FARM PROGRAMS

Advance deficiency payments

Section 155 amends the Agricultural Act of 1949 by adding a new section 107C to provide for advance deficiency payments for the 1982 through 1985 crops of wheat, feed grains, upland cotton, and rice. Under the present provisions of the Act, effective through the 1985 crops, the Secretary is authorized but not required to make advance deficiency payments in connection with these commodity programs.

The new section 107C(a) provides that, in connection with the acreage limitation programs for the 1982 crops of wheat, feed grains, upland cotton, and rice under the Agricultural Act of 1949, the Secretary shall make advance deficiency payments, under certain conditions, to producers participating in the acreage limitation program, if the Secretary determines that deficiency payments will likely be made under the program involved.

Under this provision, it is intended that, at the time the Secretary implements this section, producers who agreed to participate in the acreage limitation programs for 1982 crops must still be in compliance with the terms of the agreements they entered into when signing up for the programs, in order to be eligible to receive any advance payments.

This section further provides that advance payments for the 1982 crops shall be made to producers by the Secretary as soon as practicable after October 1, 1982. The amount of such advance payments would be determined by multiplying (i) the estimated farm program acreage for the crop, by (ii) the farm program payment yield for the crop, by (iii) 70 percent of the projected payment rate as determined by the Secretary. This provision would also authorize the Secretary, in connection with the 1982 crops, to make an

adjustment as the Secretary determines appropriate in the amount of the advance deficiency payments made to a producer when that producer has already received disaster payments, to compensate for substantial losses of production of the crop due to drought, flood, or other natural disaster, and Federal crop insurance was either unavailable to the producer or insufficient to alleviate the economic emergency.

For the purposes of this subsection, the estimated farm program acreage is intended to be the actual, if known, or estimated acreage planted to the crop on the farm within the permitted acreage for the farm. In determining such acreage, it is expected that the Secretary will use all available information, including but not limited to, a producer's statement of intent at the time of sign-up for the program and a producer's certification of planted acreage, if filed at the time the Secretary makes the calculation of the payment for the producer.

Section 107C(b)(1) provides that, for the 1983 crops of wheat, feed grains, upland cotton, and rice, if the Secretary implements an acreage limitation or set-aside program for any of these commodities, the Secretary shall make advance deficiency payments to producers, who agree to participate in the acreage limitation or set-aside program, under certain conditions.

For the 1984 and 1985 crops of wheat, feed grains, upland cotton, and rice, this section would authorize, but not require, that the Secretary make advance deficiency payments to producers, who agree to participate in an acreage limitation or set-aside program, under certain conditions, whenever the Secretary implements such a program for the commodity involved.

Before making advance deficiency payments for any of the 1983 through 1985 crops referred to in this section, the Secretary would have to determine that it is likely that deficiency payments will be made under the program involved.

Paragraph (2) of subsection (b) provides that, for the 1983 through 1985 crops, any advance payments to producers shall be made by the Secretary as soon as practicable after the producer signs up for the annual program involved, but in no instance prior to October 1, 1982. This paragraph also provides that any such advance payments should be in amounts that the Secretary determines appropriate to encourage adequate participation in the acreage limitation or set-aside program involved, but for any producer not more than an amount determined by multiplying (i) the estimated farm program acreage for the crop, by (ii) the farm program payment yield for the crop, by (iii) 50 percent of the projected payment rate as determined by the Secretary.

Under this provision, it is expected that in determining the estimated farm program acreage, the Secretary will utilize the producers' statements, made at the time of sign up for the programs, of the acreage of the commodity intended to be planted for harvest, except that the estimate of the acreage to be planted for any particular farm used for this determination by the Secretary could not exceed the permitted acreage for the farm, in the case of an acreage limitation program, or the normal crop acreage for the farm in the case of a set-aside program.

Section 107C(c) specifies certain terms and conditions that shall be applicable to advance deficiency payments made by the Secretary under section 107C.

Paragraph (1) of subsection (c) provides that if the deficiency payment finally determined by the Secretary to be available to a producer for any of the crops involved is less than the amount of the advance payment made to the producer under this section, the producer is required to refund to the Secretary that portion of the amount received as an advance that exceeds that amount finally determined to be available to the producer for the crop concerned.

Paragraph (2) of subsection (c) provides that if, after making advance deficiency payments for a crop, the Secretary determines that no deficiency payments will be made to producers for that crop, the producers who received these payments are required to refund the amount of the advances to the Secretary.

Paragraph (3) of subsection (c) provides that any refunds of advance deficiency payments made to producers under paragraphs (1) or (2) of this subsection shall be due at the end of the marketing year for the crop involved.

Paragraph (4) of subsection (c) provides that if, after receiving an advance deficiency payment under this section, a producer fails to comply with the requirements of the acreage limitation or set-aside program in effect for the crop the producer shall repay the advance immediately, plus interest on the advance in such amount as prescribed in regulations issued by the Secretary.

Section 107C(d) authorizes the Secretary to issue regulations as necessary to carry out the provisions of section 107C.

Section 107C(e) requires the Secretary to carry out the program established in section 107C through the Commodity Credit Corporation.

Section 107C(f) provides that the authority established in section 107C is in addition to any authority of the Secretary or the Commodity Credit Corporation under any other provision of law.

SUBTITLE D—AGRICULTURAL EXPORT PROMOTION

Agricultural export promotion

Section 156(a) provides that the Secretary shall (i) enter into agreements, with respect to export credit sales of U.S. agricultural commodities and products thereof, to make payments to reduce the effective rate of interest charged for export credit extended for a term of up to 10 years to such level as the Secretary determines necessary to effectuate the purposes of this section, or (ii) implement programs to subsidize the export of U.S. agricultural commodities at such levels as the Secretary determines to be necessary, or (iii) undertake any combination of the interest reduction and price subsidy programs authorized by this section. In connection with agreements to make payments to reduce the interest rates on export credit, the Secretary shall also guarantee the repayment of the loan principal.

The expressed purpose of this section is to require the Secretary to use this authority to discourage the use of, and to neutralize the effects of, export subsidies on agricultural commodities or products thereof, by foreign countries or instrumentalities thereof. The pro-

visions of this section are effective for fiscal years 1983 through 1985.

Subsection (b) establishes a mechanism to identify the particular U.S. agricultural commodities or products thereof that are eligible to be subsidized under this section. This subsection is applicable only to the authority provided in subsection (a)(2) of this section to implement export subsidy programs for specific commodities or products thereof; it is not applicable to interest reduction payments. This subsection provides that the Secretary shall only use export subsidies in connection with a specific agricultural commodity, or the products thereof, that is or has been involved in a case under section 301 of the Trade Act of 1974 (i) on which the President has on his own motion decided to take action under section 301(c)(1) of such Act, or (ii) that was initiated by the filing of a petition under section 302 of such Act and the U.S. Trade Representative has determined to initiate an investigation with respect to the petition under section 302(b)(2) of such Act.

Subsection (c)(1) provides that for each of the fiscal years 1983, 1984, and 1985, the Secretary of Agriculture shall use Commodity Credit Corporation funds in the amount of not less than $175 million nor more than $190 million for the purpose of making interest reduction or export subsidy payments under this section.

Paragraph (2) of subsection (c) specifies certain conditions applicable to the Secretary in carrying out the provisions of this section. Clause (A) clarifies that the portion of the funds, provided for in this section, used by the Secretary to make interest reduction payments, or for export subsidies, is to be determined by the Secretary. All of the funds could be devoted to one of these uses of the exclusion of the other, or the Secretary may divide the funds between them as determined appropriate.

Clause (B) of this paragraph specifically authorizes the Secretary to target the funds, provided under this section, to one or more agricultural commodities or products thereof as the Secretary determines appropriate to neutralize, to the maximum extent, the effects of foreign export subsidies.

Clause (C) of this paragraph applies to the use of export subsidies by the Secretary and provides that the Secretary shall continue the use of subsidies in connection with a particular U.S. agricultural commodity or product thereof only as long as the Secretary determines such action is necessary and appropriate to obtain the elimination of a program, policy, or practice of a foreign country or instrumentality thereof that would, if continued, result in the substantial displacement of exports of the U.S. commodity or the products thereof that is involved.

Clause (D) of this paragraph provides that in connection with carrying out the authority for export promotion activities under this section, the Secretary is required to safeguard, to the maximum extent possible, the usual marketings of U.S. agricultural commodities or the products thereof.

Clause (E) of this paragraph requires that, in connection with entering into agreements for reduced interest on export credit sales of U.S. agricultural commodities or the products thereof, the Secretary obtain assurances from the foreign purchasers that the goods

will not be resold or transshipped to other countries or used for other than domestic purposes of the recipient country.

Subsection (d) provides that the Secretary shall carry out the provisions of this section through the Commodity Credit Corporation.

Subsection (e) provides that the authority established in this section is in addition to any authority of the Secretary or the Commodity Credit Corporation under any other provision of law.

Cost Estimate

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the Committee has estimated the cost of carrying out the provisions of this legislation for fiscal years 1983 through 1985. The Congressional Budget Office provided cost estimates which were the basis for the Committee's cost projections.

The savings achieved by this legislation are required under the provisions of Senate Concurrent Resolution 92. Those savings are in relation to the provisions of the First Concurrent Resolution for fiscal year 1983, as determined by the Congressional Budget Office. Consequently, the Committee chose to adopt the cost estimates provided by the Congressional Budget Office.

In accordance with the Congressional Budget Act of 1974, the Congressional Budget Office prepared the following cost estimate:

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Alice M. Rivlin
Director

July 20, 1982

The Honorable Jesse A. Helms
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Pursuant to Section 202 of the Congressional Budget Act, the Congressional Budget Office has prepared the attached cost estimate for the provisions reducing spending in programs under the jurisdiction of the Senate Committee on Agriculture, Nutrition and Forestry.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

James Blum

for Alice M. Rivlin
Director

cc: The Honorable Walter D. Huddleston
Ranking Minority Member

CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

1. BILL NUMBER: Unknown.

2. BILL TITLE:

Provisions reducing spending in programs under the jurisdiction of the Senate Committee on Agriculture, Nutrition and Forestry.

3. BILL STATUS:

As ordered transmitted to the Senate Committee on the Budget, July 16, 1982.

4. BILL PURPOSE:

To reduce expenditures in response to the First Resolution on the Budget for Fiscal Year 1983.

5. COST ESTIMATE:

(by fiscal years, in millions of dollars)

	1983	1984	1985
AUTHORIZATION INCREASES			
Subtitle A: Food Stamp Program Reductions (Function 600)			
Authorization Ceiling	11,900	12,300	13,200
Estimated Authorization Level	11,142	11,480	12,208
Estimated Outlays	11,164	11,471	12,305
DIRECT SPENDING			
Subtitle B: Dairy (Function 350)			
	1983	1984	1985
Budget Authority	-150	-520	-845
Estimated Outlays	-150	-520	-845
Subtitle D: Agricultural Export Promotion (Function 350)			
	1983	1984	1985
Budget Authority	-116	-64	-8
Estimated Outlays	-116	-64	-8

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6. BASIS OF ESTIMATE:

SUBTITLE A: FOOD STAMP PROGRAM REDUCTIONS

This section describes the relationship of the new authorization to the bipartisan baseline used for the First Resolution on the Budget for Fiscal Year 1983. The total savings are summarized first and the savings from each provision are then described separately.

Food Stamp Reductions Relative to the Bipartisan Baseline

This bill authorizes the food stamp program for fiscal years 1983 through 1985 at funding levels not to exceed the authorization ceilings shown in the table above. Estimated authorization levels and estimated outlays were derived by subtracting from bipartisan baseline projections the cost effects of major changes to the 1977 Food Stamp Act as amended that would be introduced by this bill. The bipartisan baseline projections for food stamps shown in the following table assume a fully funded program utilizing current eligibility and benefit rules. Economic assumptions adopted by the Conference on the First Concurrent Resolution on the Budget were used in the development of these projections.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	11,967	12,306	13,174
Estimated Outlays	11,989	12,297	13,191

Neither the baseline estimates nor the estimates of the cost of this bill include effects on Food Stamp program costs of certain provisions of H.R. 4961, as reported by the Senate Finance Committee on July 12, 1982. Enactment of changes to the Aid to Families with Dependent Children and Supplemental Security Income programs in H.R. 4961 would result in increases in estimated authorization levels and estimated outlays of $190 million in fiscal year 1983, $208 million in fiscal year 1984, and $213 million in fiscal year 1985.

Following are estimates of the effects on program cost, relative to baseline levels, of changes to the Food Stamp program introduced by this bill. The totals of the effects on program costs of all changes are shown in the table below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	-825	-826	-886
Estimated Outlays	-825	-826	-886

Households

Section 102 would require all related persons living together to be treated as a single household for purposes of determining program eligibility and benefits unless one of the related persons is age 60 or older or receives SSI or Social Security disability benefits. Currently, persons living together are treated as separate households if they purchase food and prepare meals separately except that parents and children living together are treated as a single household unless one of the parents is age 60 or older or receives SSI or Social Security disability benefits. Total benefits would be reduced in cases where two or more individual Food Stamp households are consolidated into one primarily because only one rather than two or more standard deductions would be allowed in determining net food stamp income. In addition, some participants may become ineligible to continue participation because of income or resources of related persons with whom they are living. The effects on program costs, which are shown below, are based upon Administration estimates.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Levels	-55	-58	-61
Estimated Outlays	-55	-58	-61

Thrifty Food Plan Adjustments

Section 103 specifies changes to the bases for periodic indexing of the maximum allotment levels. Under current law, the maximum allotment levels would be adjusted on October 1, 1982 based on the change in the cost of the Department of Agriculture's thrifty food plan during the 21 month period ending the preceding June. On each subsequent October 1, adjustments would be made based upon changes occurring during the twelve months ending the preceding June. The change would cause the October 1, 1982 adjustment to be based on thrifty food plan cost changes occurring during the 18 month period ending in March, 1982. The October 1983 adjustment would be based on cost changes occurring during the 13 month period ending the preceding April. The October 1984 adjustment would be based on cost changes occurring during the 13 month period ending the preceding May.

This change would reduce allotment levels below current law levels and would result in decreased benefits for all participating households except those receiving the minimum benefit. Cost changes associated with this provision, shown in the table below, were calculated by using

estimated relationships between maximum allotment levels and household benefits in conjunction with projections of program participation.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	-430	-246	-160
Estimated Outlays	-430	-246	-160

Income Standards of Eligibility

Section 104 would add the requirement that households with no elderly or disabled members have net food stamp incomes below 100 percent of the federal "poverty level" to the current requirement that their gross monthly incomes be less than 130 percent of the poverty limit. This change would make ineligible a relatively small number of cases. Most of these would be larger than average households that have few deductions and that could not participate prior to income eligibility changes introduced by the 1981 reconciliation act. The estimated effect on program cost is shown in the table below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Levels	-5	-5	-5
Estimated Outlays	-5	-5	-5

Coordination of Cost-of-living Adjustments

Section 105 would require that July cost-of-living increases in Social Security, SSI, Veterans', and Railroad Retirement benefits not be counted as income for Food Stamp purposes until the following October, concurrent with the indexing of Food Stamp allotment levels. Under current policy, most recipients of benefits of these programs with July cost-of-living adjustments would experience reductions in Food Stamp benefits during the three months preceding the October food stamp cost-of-living adjustment. Delaying the counting of these income increases until October would eliminate this temporary reduction in the value of Food Stamp benefits. The increases in program costs, which were estimated by simulating SSI and Social Security cost-of-living adjustments on a sample of Food Stamp households, are shown in the table below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	19	21	23
Estimated Outlays	19	21	23

Adjustment of Deductions

Section 106 would delay the scheduled adjustment of the maximum excess shelter child care deduction from July 1983 to October 1983 and would delay and alter the basis for adjusting the standard deduction. Under current law the standard deduction would be adjusted on July 1, 1983 based upon changes in levels of components of the Consumer Price Index during the 15 month period ending March 1983. The next adjustment would occur in October 1984 based upon 15 months of price changes ending the preceding June. Subsequent changes would be made in October based upon the 12 months of price index changes ending the preceding June.

The proposed change to the standard deduction indexing schedule would delay any adjustment until October 1984 at which time the current level would be altered to reflect price index changes occurring during the 21 month period ending September 1983. The October 1985 adjustment would be based on the 21 months of price change during the period ending the preceding June. These changes would result in reduced deductions and cause increases in net food stamp income. Benefit levels of all households would be affected except those receiving the minimum benefit and those with very low incomes that receive maximum allotment levels. The estimated effect on program cost is shown below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	-42	-110	-100
Estimated Outlays	-42	-110	-100

Standard Utility Allowances

Section 107 would prohibit the use of standard utility allowances for households that do not incur heating or cooling expenses or that reside in public housing units that have central meters and that charge households only for excess utility costs. This provision would further require the prorating of the standard utility allowance in cases in which the Food Stamp household shares utility expenses with other households or individuals with which it is living. This change would have the effect of reducing the excess shelter deduction for many participating households which tends to reduce food stamp benefits. The effects on program cost, which are based on an Administration analysis, are shown below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	-90	-93	-97
Estimated Outlays	-90	-93	-97

Employment Requirements

Section 112 would make the Food Stamp program work requirements more stringent, would authorize the Secretary to require job search at time of application, and would make the disqualification period for failure to comply with the job search requirement permanent or until such time as the noncompliant person meets the requirements. Program cost reductions primarily result from authorizing mandatory job search at time of application and extending the disqualification period. Estimates of the effects on cost, which are based on Administration analyses, are shown in the table below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	-23	-25	-26
Estimated Outlays	-23	-25	-26

College Students

Section 116 would make more restrictive the conditions under which post-secondary school students would be eligible to participate in the Food Stamp program. Specifically, students with dependents all of which are six years old or older would not be exempted from the work requirement unless they were receiving aid to families with dependent children. The effect on program cost, which was estimated using survey data on characteristics of participating households is shown below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	-10	-10	-11
Estimated Outlays	-10	-10	-11

Value of Allotment for Initial Month

Section 118 would cause benefits to be prorated to the day of application for recertification if the application for recertification occurs during the thirty day period following the end of the last month for which benefits were received. Currently households that are recertified for participation during this thirty day period receive the full months benefits. The estimated effect on program cost is shown in the table below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	-2	-2	-2
Estimated Outlays	-2	-2	-2

Noncompliance With Other Programs

Section 119 would prohibit a food stamp household from receiving increased benefits due to a reduction in income caused by a penalty imposed for an intentional failure to comply with requirements of another welfare or public assistance program in which the household is a participant. The estimated effect on program cost, which is based on an Administration analysis, is in the table below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	-2	-2	-2
Estimated Outlays	-2	-2	-2

Expedited Coupon Issuance

Section 126 would establish more restrictive income and asset criteria for the receipt of expedited service and would limit the use of expedited service by most households to not more than once during any six month period. Savings stem primarily from the reduced incidence of erroneous payments caused by fewer benefits being issued on an expedited basis. Estimates of the effects on program costs are shown below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	-20	-20	-20
Estimated Outlays	-20	-20	-20

Prompt Reduction or Termination of Benefits

Section 127 would permit State agencies to reduce immediately or terminate benefits if information provided by the household indicates that such a change is warranted. States currently must provide 10 days' notice prior to changing or ending benefits. Savings would result from this provision because there are some instances in which benefits are issued to households during the notice period. The estimate of the effect on program cost is shown below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	-10	-10	-10
Estimated Outlays	-10	-10	-10

Food Stamp Intercept of Unemployment Benefits and Federal Tax Refunds

Section 137 would allow states to obtain payment of uncollected overissuance of coupons by withholding amounts from unemployment benefits and Section 138 would allow overissuances to be collected by withholding from refunds of overpayments of federal taxes. Estimates of the net effects on program costs are shown below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	-2	-2	-2
Estimated Outlays	-2	-2	-2

Error Rate Reduction System

Section 140 would establish an error rate reduction system that would withhold specified amounts from states' federally funded share of state administrative costs for states with payment error rates exceeding nine percent in fiscal year 1983, seven percent in fiscal year 1984, and five percent in fiscal year 1985. States would not be sanctioned for fiscal year 1983 if their payment error rates were reduced by a third of the difference between a base period rate and five percent and would not be sanctioned for fiscal year 1984 if their payment error rates were reduced by two thirds of the difference between their base rate and five percent. It is estimated that reductions in erroneous payments and state administrative costs withheld would result in reductions in program cost shown below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	-90	-200	-325
Estimated Outlays	-90	-200	-325

Disabled Veterans and Survivors

Section 148 would extend the definition of a disabled Food Stamp household member to include certain disabled veterans and survivors. This change would alter the income eligibility standards, remove the excess shelter deduction maximum for affected households, and would allow these disabled veterans and survivors to deduct excess medical expenses in determining Food Stamp benefits. The estimate of the effect on program cost is shown below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	5	5	5
Estimated Outlays	5	5	5

Rounding Down

Section 149 alters the rounding rules affecting the maximum allotment levels, the standard and maximum excess shelter deductions, and benefits. Currently the value of the thrifty food plan for a four person household is rounded to the nearest whole dollar to determine the maximum allotment level for this household size. Values for other household sizes, which are also rounded to the nearest whole dollar, are based upon this rounded value for the four person household. This section would alter these procedures by rounding to the next lower whole dollar increment the value for the four person household, deriving values for other household sizes from the unrounded four person value, and rounding to the next lower whole dollar at the final stage of these calculations. On average this change would reduce benefits for all households because of reductions in the maximum allotment levels. Households receiving the minimum benefit would not be affected.

The standard and excess shelter deductions are currently rounded to the nearest five dollar increment. The change in this section would cause these deductions to be rounded instead to the next lower whole dollar increment. Over time, this would result in reduced benefits to all households except those receiving the minimum benefit and those with zero net Food Stamp incomes.

Benefits are currently rounded to the nearest dollar during the final calculation. The change in this section would cause benefits to be rounded to the next lower whole dollar. This would cause an average benefit reduction to households of about 50 cents per month for all households except those receiving the maximum or minimum allotment.

The effects of these changes on program costs are shown in the table below.

(by fiscal years, in millions of dollars)

	1983	1984	1985
Estimated Authorization Level	-68	-69	-93
Estimated Outlays	-68	-69	-93

Subtitle B: Dairy

This subtitle allows the Secretary of Agriculture to hold the dairy support price at a minimum of $13.10 per hundredweight of milk in each of fiscal years 1983 through 1985 rather than at the minimum prices of $13.25, $14.00 and $14.60 in current law. CBO projects that under the lower support price, assumed to remain at the $13.10 minimum for each year, milk production would decline and commercial use would increase such that the Commodity Credit Corporation removals of surplus milk would decline 0.8 billion pounds, 2.3 billion pounds and 4.0 billion pounds in fiscal years 1983 through 1985, respectively.

Subtitle D: Agricultural Export Promotion

This subtitle directs the Secretary to spend $175 to $190 million for export promotion or to subsidize certain exports. CBO assumes the Administration would employ the most cost-effective means of stimulating exports currently being considered: a 5 percent subsidy of guaranteed, 10-year term, export credit loans from private lenders. It was assumed that $1 billion of additional export credit loan guarantees would be offered in each fiscal year and that the subsidy's discounted present value and fees, estimated to be $175 million, would be spent in each year. The lower interest rate and 10-year term are assumed to stimulate $500 million in additional exports for $1 billion additional credit in 1983, $450 million in additional exports in 1984, and $400 million in additional exports in 1985. (The subsidies in this title are assumed to be a means to compete for commercial exports, not foreign assistance, and therefore not subject to cargo perference.) These additional exports are assumed to be 30 percent wheat, 30 percent corn, 15 percent soybeans, 10 percent cotton, 8 percent rice and 7 percent other commodities. The additional exports are projected to increase prices and result in commodity program savings of $291 million, $239 million, $183 million in fiscal years 1983 through 1985, respectively.

7. ESTIMATE COMPARISON: None.

8. PREVIOUS CBO ESTIMATE: None.

9. ESTIMATE PREPARED BY: Roger Hitchner (226-2820)
Howard Conley (226-2860)

10. ESTIMATE APPROVED BY:

James L. Blum
Assistant Director
for Budget Analysis

Regulatory Impact Evaluation

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact that would be incurred in carrying out the Committee recommendations.

FOOD STAMP PROGRAM REDUCTIONS

Individuals and businesses affected; paperwork burden

The Committee's recommendations would impact on those individuals who wish to receive food stamp benefits, program administrators, and those firms that choose to accept food stamps for food purchases. The Committee's intent is to make cost reductions, simplify program administration by increasing State administrative flexibility, and prevent and punish cases of fraud and abuse.

Generally, the Committee is not changing basic program eligibility rules. However, program applicants and participants will be required to meet more specific conditions to continue eligibility, including more stringent work requirements. State agencies will have some increased administrative responsibilities to assure compliance with the new conditions of continued eligibility. These additional burdens will be more than offset by savings to the Federal Government from fewer misspent benefit dollars and to the State agencies through reductions in other regulatory requirements.

Significantly, the legislation saves by adjusting the manner in which the thrifty food plan is updated and delaying cost-of-living updates in the standard and shelter deductions. These savings can be achieved without reducing current levels of benefits to any participants or requiring any new action by the State agencies.

There are 23 million individuals participating in the food stamp program. Only a few changes will affect the eligibility of these participants. The definition of a food stamp household has been tightened to require related individuals living together to apply as one household. Exceptions would be made for the elderly and disabled. The effect of this change will ultimately reduce the number of food stamp households and reduce spending. The change in the income standards of eligibility provisions requires that all food stamp applicants, except those households containing an elderly or disabled member, must meet both a gross and a net income test. This change will save Federal dollars although there will be a slightly increased burden on the States to process these applications. The Committee extends the special income eligibility, deduction, and service rules that apply to the disabled to persons who receive Veterans' Administration disability payments. This provision will significantly improve the well being of the poorest of the disabled veterans, at a small cost. However, the workload of the State agency will increase due to the more complex eligibility and benefit computations required and the need for the additional verification of the disability of 80,000 currently certified disabled veterans.

Three provisions will result in simplifying eligibility and benefit determinations. The coordination of cost-of-living adjustments for elderly and disabled payments with October increases in the thrifty food plan will avoid the recomputation of benefits twice as a result

of the cost-of-living increase. This change will reduce the burden on States, however, at a small annual cost. The standard utility allowance with no mandatory seasonal variation is now an optional provision for State use. Finally, the criteria for eligible college students has been narrowed and simplified.

The Committee is strengthening work requirements by requiring more participants to register for work, and imposing stiffer penalties on applicants and participants who violate work requirements. The Committee acknowledges that these provisions will increase State responsibilities in the short term, but expects that in the long term this will be offset by more people finding employment and leaving the program. The legislation removes the distinction between one and two parent households, allowing an exemption from work requirements only if the child is under age six. Also, those already working must now be employed at least 150 hours a month to be exempt. These changes will require approximately 500,000 more participants to register for work. The Secretary may require program applicants to begin searching for jobs at the time of application. Participants who fail to meet job search requirements will face permanent disqualification from the food stamp program until compliance with those requirements is achieved. The voluntary quit provision will be expanded and toughened. If a household head is a public employee and is fired for striking against a unit of government, the household would be disqualified under the voluntary quit provision. The voluntary quit penalty would be increased to 90 days from 60 days and the Secretary would be given authority to assure that participating households are terminated for the full 90-day disqualification.

The maximum workfare obligation of participants in workfare programs is increased from 20 to 30 hours. Some participants in jurisdictions which opt to implement a workfare program will thus have a more extensive workfare obligation. The amendment simplifies current rules on workfare exemptions and obligations.

In addition to the new rules for applicants and participants, the legislation narrows opportunities for program abuse by applicants and imposes stiffer penalties for retail food stores involved in program violations.

Food stamp households who intentionally fail to comply with the requirements of Federal, State, or local welfare or public assistance programs and, thus, receive smaller cash benefits from these programs would not receive increased food stamp allotments.

Households that contain one or more ineligible aliens could be considered to have higher incomes and, so, receive smaller food stamp allotments under the bill because the income of ineligible aliens would be considered as available to the household with which they live.

Approximately 242,000 retailers and wholesalers are authorized to accept and redeem food coupons. The legislation will have minimal impact on the vast majority of retailers which adhere to the law. Retailers or wholesalers who reportedly violated the Act or regulations would be subject to progressively more severe disqualification periods—6 months to 5 years for a first disqualification, a year to 10 years for a second, and permanent disqualification if found violating for a third time or trafficking in food stamps.

Firms whose disqualification would cause a hardship on the community could instead pay civil money penalties of as much as $10,000 per violation. (The current penalty is $5,000 per violation.) The Secretary could require firms that have been disqualified or have instead paid penalties to be bonded before resuming the acceptance of food stamps. Thus, the Department would be assured of recovering the value of any food stamps from such firms that might subsequently accept them in violation of program rules. This provision and the tiered disqualification structure could increase the Department's recordkeeping burden somewhat. The Secretary, after consultation with the Inspector General, could restrict participation by house-to-house trade routes where such participation is damaging the program integrity.

The Committee adopted several measures designed to reduce fraud, waste, and abuse through more effective program administration. The Department is empowered to tighten regulations governing authorized representatives of households. The Department could limit the types of households which could use representatives, restrict the number of households a representative could serve, and establish special verification standards for these households and representatives. Such changes would increase the complexity of State certification efforts.

States will be required to implement safeguards against multiple participation by households or by individuals posing as members of different households. This will entail an increased workload in cross-matching participation lists but result in improved integrity as multiple participation is eliminated.

In addition, States in which a portion of participants receive cash in lieu of coupons will be required to annually verify that these participants are not also receiving coupons. This requirement will necessitate cross-matching comparisons in only a small number of States.

The Committee recommendations authorize the Department to require States or the Inspector General of the Department to match interest and dividend data from the Internal Revenue Service against information in food stamps case files. Such a requirement would increase the administrative responsibilities of State agencies in those States where the Secretary requires such matches.

The legislation authorizes the Secretary to impose alternative issuance procedures by State agencies when the Department determines that these procedures will enhance program integrity in a cost-effective manner. The Department is currently evaluating alternative issuance procedures, and the Committee expects that the Department will use the results of this evaluation to ensure that any new Federal requirements enhance the efficiency of State operations.

State ability to recover claims from households with members disqualified for fraud or intentional misrepresentation is substantially expanded. Such households would only have 30 days to choose between cash repayment and allotment reduction. After 30 days, the households' allotments would automatically be reduced.

State agencies are authorized to enter into arrangements with State unemployment compensation agencies and the Internal Reve-

nue Service to intercept unemployment compensation benefits and Federal tax refunds to recover overissuances stemming from fraud or intentional misrepresentation. While these provisions will require increased Federal regulation, interception is optional to the State agency. As an incentive to States to make these arrangements, they are allowed to retain half the overissuances recovered through these measures. Finally, States would be authorized to use other means—such as agreements with collection agencies or State income tax intercept systems—to recover claims uncollected through cash repayment or allotment reduction. States would retain 50 percent of fraud-related recoveries and 25 percent of non-fraud recoveries.

The Committee expects States to use these measures along with presently available error reduction techniques to reduce program overissuances. Toward this end, the legislation substantially revises the program's existing system of incentives and sanctions based on State error rates. States could only attain enhanced funding—60 percent—by achieving a 5 percent, or lower, error-rate (including underissuances). Other States would not be penalized for error-rates under 9 percent in fiscal year 1983, 7 percent in fiscal year 1984, and 5 percent in fiscal year 1985, or would not lose administrative funds if they can meet a progress goal of one-third of the difference between their rates in October 1, 1980—March 31, 1981, and 5 percent in fiscal year 1983 and two-thirds in fiscal year 1984.

This system will require many States to reevaluate management practices to ensure that all available steps are taken to prevent, detect, and correct errors. The Committee expects that these provisions will significantly diminish overissuances and reduce program costs.

Finally, the legislation removes Federal mandates in many areas of program administration and provides options for State management decisions in others. State agencies gain new flexibility to adapt the food stamp program to the administrative practices used in their aid to families with dependent children programs. Overall, these actions remove Federal regulation and recordkeeping requirements and ease the administrative burden on States.

The bill deletes Federal requirements governing bilingual State personnel and printed materials, location and hours of State certification and issuance offices, and certain standards for joint processing of applicants for food stamps and aid to families with dependent children (AFDC) or general assistance. The removal of these provisions will permit the rescission of extensive Federal regulatory requirements thereby allowing States to more effectively focus administrative resources on local needs and allow Federal officials to concentrate their resources on other aspects of the program.

Greater consistency between the food stamp program and AFDC will be realized by permitting most States to waive the food stamps assets test for households in which all members receive AFDC. This measure will simplify eligibility determinations and reduce paperwork. The Department will be allowed to waive certain statutory periodic reporting provisions for States to achieve consistency with AFDC reporting requirements. This will simplify and consolidate reporting systems. Finally, States will be allowed to implement the workfare provisions for the food stamp program through

a workfare program established under AFDC regulations. This will facilitate workfare implementation and reduce the overall amount of Federal regulatory requirements.

States or localities will also have the option of excluding work incentive program (WIN) participants working more then 20 hours from food stamp workfare programs. This increases State latitude in designing workfare programs.

The Committee exempts reductions or terminations of benefits based on written household reports from prior notice requirements. This streamlines administration of the program by allowing States to act immediately on household-reported changes.

The requirement for joint issuance of regulations governing State employment service agencies in work registration by the Departments of Agriculture and Labor is revoked. This repeal supports the Federal initiative to transfer responsibility for managing work registration requirements to the States.

The requirement for the expedited issuance of coupons is revised to tighten eligibility for expedited issuance and to extend the State processing standard to 5 days. These changes are designed to limit expedited service to households truly in need of immediate assistance thereby reducing the number of households qualifying for expedited benefits while permitting States more time to concentrate on verification of information on applications.

The legislation mandates proration of benefits if there has been any break in participation. This change will ease State administration by simplifying the rules regarding proration.

Most importantly, the Committee authorizes any State to elect a low-income nutrition assistance block grant in lieu of the food stamp program. States will be permitted to determine eligibility criteria and the type and level of assistance. To the extent that States elect block grants, Federal regulation will be minimized and State authority will be maximized. Owing to the broad and numerous alternatives available to States under this proposal, it is impossible to asses the impacts on participants and retail food stores at this time.

Privacy impact

The legislation permits disclosure of information provided by food stamp program applicants to administrators of other Federal assistance programs and Federal assisted State programs. Expanded access to food stamp case file information will provide agencies administering these programs with stronger verification measures for safeguarding against fraud and error. The Treasury Department would be required to disclose interest and dividend information from Internal Revenue Service files at the request of the Department or States. Such requests would only occur if the Secretary of Agriculture and the Office of the Inspector General agreed that such information was needed to protect food stamp program integrity.

Implementation

Program regulations must be amended to implement these legislative changes. In addition, the Treasury Department will need to develop regulations to implement the provisions regarding tax

refund intercepts and disclosure of interest and dividend informations. State agencies will be required to revise manuals, staff instructions and forms, and conduct training. This legislation revises rather than restructures program operations, and the State implementation burden should be at least partially offset by the deletion or simplification of many administrative requirements. The Committee expects the Department to expeditiously implement this legislation, with particular emphasis on those provisions which will curtail the rise in program costs.

DAIRY, FARM PROGRAMS, AND EXPORT PROMOTION

The major purpose of the provisions in subtitles B, C, and D of the Committee's recommendations is to adjust the dairy support price level, to provide for advance deficiency payments for the 1982 through 1985 crops of wheat, feed grains, upland cotton, and rice, and to require that the Secretary undertake certain measures designed to enhance the exportation of U.S. agricultural commodities.

Essentially, these provisions are a reaffirmation of proven policy provisions which attempt to minimize the daily involvement of Government in farm businesses. The advance deficiency payment provision and the export enhancement provision simply make mandatory certain actions that the Secretary is already authorized to take under existing provisions of law. Similarly, the dairy provision provides for the minimum support price that is currently in effect to be maintained through fiscal year 1985.

These recommendations are not really regulatory measures, in the sense of establishing a scheme of regulatory requirements that must be adhered to by certain segments of the economy. The recommendations will result in the need for some farmers to comply with certain regulatory requirements in order to receive the benefits under the proposed provisions. These requirements, however, are not materially different than the requirements that must be met by farmers under the current support program for these commodities.

The recommendations are not expected to have any impact on the personal privacy of the individuals affected or to materially change the paperwork or recordkeeping requirements on Government regulators or on farmers and other individuals who may be impacted.

Estimating the potential economic impact of the provisions of this legislation is difficult because of the diversity of the provisions, the complexity of the economic system, and the interrelated nature of various sectors. For instance, there are inherent tradeoffs between food prices and farm income.

This complexity particularly carries over into the production adjustment provision. Advance deficiency payments may be sufficient incentive for farmer participation in acreage control programs. Such participation may reduce production sufficiently to restrict output and Government outlays. However, since acreage control programs are completely voluntary, there is no guarantee of farmer participation, regardless of the inducement. Where appropriate, an evaluation of the economic impact of the specific recommendations is included below.

Dairy

The program is intended to assure adequate supplies of milk and other dairy products by supporting the price of milk as required by the Agricultural Act of 1949, as amended.

The adopted provision does not change the basic authority which requires milk support prices between 75 and 90 percent of parity. However, from October 1, 1982, through September 30, 1985, the legislation maintains the minimum level of support for milk at $13.10 per hundredweight.

The legislation would have no impact on the personal privacy of the individual affected. Because the $13.10 per hundredweight floor is a continuation of current law, it is not expected that any additional paperwork or recordkeeping for both USDA and the industry would be incurred.

The dairy provision is expected to impact on dairy farmers and milk processors across the Nation through lower milk prices and may have some negligible impact on consumers of milk.

Commodity programs

For the 1982 and 1983 crops of wheat, feed grains, upland cotton, and rice, the provision for advance deficiency payments will provide participating farmers with a cash input that is expected to have beneficial effects on their cash flow situations.

For the 1982 crops, 70 percent of the anticipated final deficiency payments will be advanced 1 to 2 months for wheat farmers and more for farmers of other commodities. In addition to providing much needed cash, this advance will lessen to some extent the borrowing needs of these farmers and may allow capital investment that would not otherwise be possible. The advances of up to 50 percent of anticipated deficiency payments for 1983 crops will have a similar impact on the income situation for participating farmers.

Since the provision will result in payments being made more frequently than under current law, some increase in Government paperwork will likely result. The increase should not be substantial and is only certain for the 1982 and 1983 crops. This provision is expected to impact, in a positive manner, on all farmers participating in the acreage reduction programs for the crops involved.

Agricultural export promotion

Insofar as a program of competitive export subsidies is established, consistent with U.S. international obligations, there would be a direct cost to the Treasury for such subsidies. The direct economic impact of such a program is difficult to predict, however, because of the numerous variables that are involved in its implementation and in the response to the program by foreign competitors of the United States.

It is known that the effective use of subsidies can make U.S. commodities more attractive to foreign purchasers, in markets where such commodities have been disadvantaged by subsidy programs of our foreign competitors, and thus may result in increased export sales. Such an increase in sales could result in lower domestic inventories and possible higher prices to farmers.

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Because the legislation establishes various criteria in connection with the implementation of this program, the Department of Agriculture may experience a minor increase in paperwork requirements.

If adopted, this provision would impact on farmers and exporters of any U.S. commodities that are involved in the subsidy efforts.

Rollcall Votes

In accordance with paragraphs 7(b) and 7(c) of Rule XXVI of the Standing Rules of the Senate, it is announced that—

FOOD STAMPS

1. A motion was offered to require that all of an ineligible alien's income be attributed to the remainder of the household in addition to all of his assets for purposes of determining food stamp eligibility and benefits. The motion was accepted by a vote of 14 to 1 as follows:

Yeas: Dole, Hayakawa (by proxy), Lugar (by proxy), Cochran, Boschwitz, Jepsen, Hatch (by proxy), Zorinsky, Melcher, Pryor, Boren, Dixon, Heflin, and Helms.

Nays: Leahy.

2. A motion was offered to reinstate the requirement for most households to pay, as a purchase requirement, a reasonable portion of their countable income in order to participate in the food stamp program, but not more than 30 percent. The motion was defeated on a 4 to 12 vote as follows:

Yeas: Hayakawa, Lugar (by proxy), Hatch (by proxy), and Helms.

Nays: Dole, Cochran, Boschwitz (by proxy), Jepsen (by proxy), Hawkins (by proxy), Andrews (by proxy), Huddleston (by proxy), Leahy, Melcher, Pryor (by proxy), Boren (by proxy), and Dixon (by proxy).

3. A motion was offered to make nonexempt individuals ineligible to participate in the food stamp program if they do not meet certain requirements as to employment. The motion was defeated by a 3 to 13 vote as follows:

Yeas: Hayakawa, Hatch (by proxy), and Helms.

Nays: Dole (by proxy), Lugar (by proxy), Cochran (by proxy), Boschwitz, Jepsen, Hawkins (by proxy), Andrews (by proxy), Huddleston, Leahy (by proxy), Melcher, Pryor, Boren, and Dixon.

4. A motion was offered that would make nonexempt individuals ineligible to participate in the food stamp program if they do not meet certain requirements as to employment with the exception that those individuals who were willing and able to work but were unable to find employment would not be excluded. The motion further specified that in such cases, there would be no period of ineligibility for participation in the food stamp program. The motion was accepted by an 11 to 5 vote as follows:

Yeas: Hayakawa, Lugar (by proxy), Jepsen, Hawkins (by proxy), Hatch (by proxy), Huddleston, Melcher, Pryor (by proxy), Boren, Dixon, and Helms.

Nays: Dole (by proxy), Cochran (by proxy), Boschwitz, Andrews (by proxy), and Leahy (by proxy).

5. A motion was offered that would require the States, effective July 1, 1983, to administer either an employment requirement program, a mandatory workfare program, or a combination of the two as a condition of eligibility for individuals participating in the food stamp program. The motion was accepted by an 11 to 5 vote as follows:

Yeas: Hayakawa, Lugar (by proxy), Jepsen, Hawkins (by proxy), Hatch (by proxy), Huddleston, Melcher, Pryor (by proxy), Boren, Dixon, and Helms.

Nays: Dole (by proxy), Cochran (by proxy), Boschwitz, Andrews (by proxy), and Leahy (by proxy).

6. A motion was offered to provide that effective October 1, 1982, States would have the authority to impose liens against any dwelling and real property owned by one or more members of an eligible food stamp household in order to recover food stamp assistance provided to the household. The motion further specified certain restrictions in the lien authority granted to the States. The motion was defeated by a 6 to 8 vote as follows:

Yeas: Hayakawa, Lugar (by proxy), Jepsen, Hatch, Zorinsky, and Helms.

Nays: Dole, Cochran, Boschwitz, Huddleston, Leahy, Melcher (by proxy), Pryor (by proxy), and Boren.

7. A motion was offered to reduce the error rate in the food stamp program by making States liable for the dollar value of food stamp overissuances. Penalties would be imposed if the error rates exceeded 9 percent in fiscal year 1983; 5 percent in fiscal year 1984; and 3 percent in fiscal year 1985. The motion was defeated by a 4 to 13 vote as follows:

Yeas: Hayakawa (by proxy), Hatch (by proxy), Zorinsky, and Helms.

Nays: Dole, Lugar (by proxy), Cochran, Boschwitz, Jepsen, Hawkins (by proxy), Andrews (by proxy), Huddleston, Leahy, Melcher, Pryor (by proxy), Boren (by proxy), and Dixon.

FARM PROGRAM AMENDMENT

1. A motion was offered to increase the minimum loan rate on wheat to $4.20 and on corn to $2.90 for the 1983, 1984, and 1985 crop years. The motion was defeated by a 6 to 10 vote as follows:

Yeas: Andrews, Huddleston, Zorinsky (by proxy), Melcher, Pryor (by proxy), and Boren.

Nays: Dole, Hayakawa (by proxy), Lugar (by proxy), Cochran, Boschwitz (by proxy), Jepsen, Hawkins, Hatch (by proxy), Dixon, and Helms.

ADDITIONAL VIEWS OF SENATOR JESSE HELMS

The Committee has enacted legislative changes in the food stamp program sufficient to achieve approximately $2.5 billion in savings during the next 3 fiscal years, according to estimates by the Congressional Budget Office.

The Administration recommended legislation earlier this year, as part of the overall Economic Recovery Program of the President, which would have resulted in $8.9 billion in savings during the next 3 fiscal years. I also introduced a legislative package designed to save $9.5 billion during that period.

Thus, the Committee's recommendations achieve only 28.5 percent of the Administration's recommended savings. Because the Committee has failed to adopt a level of savings even marginally close to the Administration's levels, the food stamp program will, no doubt, remain at the forefront of programs in which the Administration will need to make reductions.

Additionally, I think several points of clarification need to be made about reductions which were enacted last year. There has been much publicity about the approximately $2.4 billion in reductions which were mandated by reconciliation and farm bill legislation during 1981.

However, as we enter the end of fiscal year 1982, it is already clearly evident that estimates about reductions in program costs have been overstated.

Over half of the Committee's fiscal year 1982 savings enacted during 1981 were achieved through delaying the indexing of the thrifty food plan benefits to recipients and through postponing any indexing to the deductions within the program.

Based on the CBO estimates that were used at the time, it was anticipated that those provisions would result in approximately $1.3 billion in savings. However, the actual rate of inflation during fiscal year 1982 has been substantially below that anticipated by the CBO. Hence, the estimates of reductions used last year are, in reality, considerably overstated.

While final figures are not yet available, it appears that the "$2.4 billion" in reductions for fiscal year 1982 will be, in reality, closer to $1.6 to $1.8 billion. And, importantly, the estimates about future year savings from the indexing provisions previously cited have also overstated the savings which will result in fiscal years 1983 and 1984.

The combination of the failure to enact structural changes as proposed by the Administration and the fact that the changes which have been enacted do not achieve the level of savings anticipated by the Administration in its 1981 and 1982 recommendations, make it inevitable that further reductions in program costs will be necessary.

It should be noted that all of the savings resulting from the postponements of indexing (both the monthly benefits and the deduction) have not actually reduced benefits to recipients. In that respect, Committee members have preferred that method of savings reductions rather than needed, structural changes to the program. However, such structural changes are needed in order to reduce the number of people dependent on the program, particularly those who are able-bodied.

STANDARD DEDUCTION

For instance, considerable attention needs to be given to the deductions permitted under the current legislation. Currently a standard deduction of $85 and a maximum excess shelter dependent care deduction of $115 may be deducted from a household's gross income before the determination is made of "net" income on which benefit allotments are based.

These deductions tend to increase artificially the benefits which households receive. These artificial increases are exaccerbated when indexing for inflation is permitted.

This is particularly true of the indexing for the standard deduction. The indexation of the standard deduction has been questionable from its inception in the Food Stamp Act of 1977 and has been made all the more questionable by the addition of new deductions since that time.

The standard deduction was originally recommended to replace numerous specialized deductions and exemptions that existed prior to the 1977 reforms. These included a work allowance, mandatory work expenses such as Federal, State, or local income taxes, social security taxes, mandatory retirement payments, mandatory union dues, medical expenses, child care, tuition, and mandatory fees, support and alimony payments, shelter costs and unusual expenses connected with a disaster or casualty.

However, Congress, rather than implementing a straight standard deduction, as the Administration had proposed, instead, reduced its amount somewhat and added several special deductions. These deductions represented expenses for some of the very items which the standard deduction was supposed to replace. A $75 per month deduction for combined expenses resulting from excess shelter costs and dependent care expenses was established; it has since been indexed to the present level of $115. A 20 percent earned income deduction—now 18 percent—was also added. And most tuition costs were designated as "exclusions," with the same effect as a deduction.

Since 1977, even more deductions have been added on top of the standard deduction, including: the exclusion of low income energy assistance payments and a medical deduction for the elderly, blind, and disabled. With the establishment of these other deductions, there is no real basis for continuing to index the standard deduction, in particular.

Automatic indexing of what is now an $85 (originally $60) standard deduction might make sense if it really were a replacement for former "itemized" deductions. The deductible expenses it replaced would have increased with inflation, and automatically indexing

the standard deduction to the Consumer Price Index would have represented increased expenses (due to inflation). However, because the standard deduction does not replace former "itemized" expense deductions, it only serves as a device to increase benefit levels and should not be indexed.

While the Committee's action to postpone any indexing of the standard deduction until October 1, 1984 is a step in the right direction, any further indexing is, in my judgment, unwarranted.

Indeed, the Administration and Congress may want to consider further proposals which would alter, reduce, or eliminate the standard deduction.

Because, as noted earlier, Congress has added so many special deductions and exemptions to the law since 1977, it may well be that elimination or significant reduction in the standard deduction would achieve needed savings.

Another proposal often suggested by eligibility workers—who note the complexity of the present array of special deductions—would be to consolidate such deductions for program simplification. Such a combination could produce both savings in benefits and administrative costs.

Surely one of the most disappointing patterns of the Committee's deliberations is the failure to legislate changes in the food stamp program which keep pace with current policies in other programs. The food stamp program remains the "stepchild" of Federal assistance programs.

LUMP SUM PAYMENTS

For instance, last year Congress enacted legislation to ensure that lump sum payments received by participants in the Aid to Families with Dependent Children program were counted as income in the AFDC program. Lump sum payments consist of irregular income such as insurance payments, tax refunds, etc.

The 1981 change would count the value of the lump sum payment as income in the month received and in subsequent months if the value exceeded the household's monthly needs standard.

Many food stamp participants, including those who are participating in both food stamps and AFDC, receive lump sum payments. Failure to count such payments as income in the food stamp program increases costs by approximately $80 to $100 million per year.

Indeed, as States implement the AFDC provision, the cost to the food stamp program will increase. Because AFDC recipients are disqualified for specified periods of time for receipt of a lump sum payment, their countable income for food stamp purposes (the AFDC payment) goes down; receipt of the lump sum payment is ignored for food stamp purposes. Hence, the household will actually receive an increase in food stamps. Such anomolies exist because of Congressional failure to make consistent policy in related Federal programs.

LIENS

Another area of considerable inconsistency among Federal programs is with respect to liens.

The AFDC program has consistently permitted States to attach a lien against real property to recover the value of benefits provided to a recipient during his lifetime. The Senate Finance Committee established a similar provision for medicaid recipients.

The principle underlying the lien is that the Government's financial interests should be recovered, where possible, from the recipient for the money which he has received.

A provision which I advanced would have permitted States to establish a lien system to recover benefits in cases where—presumably upon the death of the recipient—real property is sold or transferred. Under the provision the lien would not take effect where other members of the household who had received food stamps continue to reside there, or when the value of the house is below the average in the community.

My concern is that many grown children in our society have abandoned the support of their aging parents. In many instances, these parents are supported by Federal assistance programs. Yet upon the sale of property, such as a home, the surviving children are often the beneficiaries—even when they may not have contributed to the support of the parents during their lifetime.

ERROR RATE SANCTIONS

One area in which it seems that Senators are unwilling to require the same degree of accountability of States as is required in other Federal programs is the error rate which is tolerated in various Federal programs.

The food stamp program recently had an overissuance rate of 10.5 percent, meaning that over $1 billion per year is overissued. AFDC and medicaid have lower rates of 5 percent and 8 percent, respectively.

Yet while the Finance Committee is establishing an error rate of 3 percent in those programs, the Agriculture Committee's error rate tolerances are considerably higher—9 percent in fiscal year 1983, 7 percent in fiscal year 1984, and 5 percent in fiscal year 1985.

It seems to be inevitable that the Committee is going to have to return to these error rates in the future and align them more with the Administration's original recommendations—which anticipate a zero error rate—or, at a minimum, establish rates which parallel other Federal programs. There is no reasonable justification, in my view, for tolerating higher rates of overissuance in the food stamp program, the losses from which are borne 100 percent by the Federal Government.

MINIMUM BENEFIT

The fact that large savings can be achieved through some fairly minor adjustments to the program is well-established. One example this year is the minimum benefit.

Currently one and two person households who meet the income standards of eligibility are entitled to receive a minimum benefit of $10, regardless of the allotment to which they would be entitled based on their actual net income. Therefore, all households which fall in this category receive the minimum monthly benefit of $10,

even when the amount to which they would actually be entitled is as little as $1 or even zero. However, households of three or more are not entitled to a minimum benefit, and hence, receive the actual amount which their net income warrants.

This minor change would establish equity and save approximately $65 million annually. Yet it was not adopted by the Committee.

WORKFARE

While I commend the Committee's action in improving a number of elements associated with work requirements in the food stamp program, it seems to me that ultimately we must deal with the fact that workfare should be enacted in this program.

It continues to be my view that workfare should be mandatory for able-bodied recipients, rather than simply left to State and local discretion, and I will continue to work toward this objective in the future. A number of provisions adopted by the Committee will improve the operation of workfare programs where State and local governments are opting for such programs.

ENERGY ASSISTANCE

Currently, the Food Stamp Act excludes Federal and certain State and local seasonal energy assistance from inclusion of income. This exclusion of energy assistance as income has meant that a substantial amount of that income which is available to households has gone uncounted.

I continue to be concerned that discounting certain forms of financial assistance—such as energy assistance and lump sum payments mentioned earlier—results in an understatement of the true income picture of households served by the food stamp program.

I am pleased by the Administration's belief that the most recent manipulation of energy assistance by certain States—Oregon, Washington, and New York—will be able to be corrected through regulatory changes. It seems clear that it is not the intent of Congress to permit States to reduce their AFDC payments by an amount which is subsequently labelled "energy assistance".

Additionally, the circumvention by States which label increases in AFDC payments as new "energy assistance payments" also deserves attention by the Department. I should note, however, that such actions by States might be expected when arbitrary exclusions of income are sanctioned.

BUDGET

In summary, from a budget perspective, it seems clear to me that the Committee did not act sufficiently to deal with the major crisis ahead of us. This is a crisis not just in food stamp spending, but rather in all Federal spending programs. Congressional failure to make adequate reductions in the food stamp program, as proposed by the Administration, will inevitably add to the deficit and contribute to the retarded pace of economic recovery.

PROGRAM INTEGRITY

While the Committee did not make sufficient progress in addressing the budget needs of the program, I am pleased with the tremendous progress which I believe was made in addressing issues which will improve the administration and integrity of the program. I believe most of these changes will be applauded both by eligibility workers and fraud investigators who see abuses every day and by taxpayers who are concerned about repeated reports of abuse of the program.

Inasmuch as these provisions are fully described within the report, I shall not elaborate on them here.

OPTIONAL STATE BLOCK GRANT

I also commend the Committee for the approval of the optional state block grant which I sponsored. I believe that this creative approach has great potential for State and local administrators who have so often expressed to me their belief that they could run a much more efficient and effective nutritional program, if permitted to do so.

Without disadvantaging States that remain under the Federal program, the optional block grant with a continuation of Federal funding, should provide States with the latitude needed. I believe that the greatness of the Federal system will be further demonstrated by the performance of States under the block grant option.

JESSE HELMS.

ADDITIONAL VIEWS OF SENATOR BOB DOLE ON FOOD STAMP PROVISIONS OF RECONCILIATION LEGISLATION

As Chairman of the Subcommittee on Nutrition, I am pleased that S. 2493, the Food Stamp Reform Act of 1982, was chosen to be the vehicle for the mark-up on food stamp program reauthorization and reconciliation. After more than a month of full Committee sessions, it was gratifying to see S. 2493 emerge from this part of the legislative process virtually intact, with only some minor changes. Five other members of the Agriculture Committee cosponsored S. 2493 this year: Senators Cochran, Andrews, Jepsen, Boschwitz, and Boren. In addition, several other Republican colleagues who are not members of the Committee signed on as cosponsors; we appreciate the support of Senators Danforth, Cohen, and Wallop.

FOOD STAMP PROGRAM REAUTHORIZATION

Due to action taken during the Farm Bill Conference last year, we are faced with what is becoming an annual tradition—the food stamp reauthorization process. For the last 5 years, since the 1977 amendments, this program has come under closer scrutiny by the Congress than any other Federal social program. During this time, five major food stamp bills have been enacted. At this point in its legislative history, the program deserves a period of relative stability. Layer upon layer of change will ultimately prove counterproductive to good program management. After this year, we can honestly say that this program has been reformed inside out. It is important to emphasize that the Committee's action has addressed the concerns registered in correspondence to the Chairman, as well as those issues raised by a significant representation of witnesses who testified during the subcommittee and full committee hearings. Fraud, abuse and complaints concerning work requirements have been addressed.

Last year, there was a separation of the Farm Bill and food stamp program reauthorization. However, in the interest of program stability, the Committee decided to reauthorize the program for 3 years in order to allow it a period of respite, and put it back on the same legislative track as the Farm Bill authorization.

FURTHER BUDGET SAVINGS

In 1981, the Congress passed food stamp legislation which included major program reforms, as well as budget cuts totalling about $2.3 billion—actually exceeding the President's request by $700 million. Just from these changes alone, over the next 3 years, about $7 billion in additional savings will have been achieved. On top of this, both the Administration bill and S. 2352, which were under consideration by the Committee, would have incorporated budget cuts of over $2.3 billion for fiscal year 1983. In the outyears,

both S. 2352 and S. 2392 would have cut the program by an amount approaching $3.5 billion per year.

Despite the large amount of savings achieved last year during the reconciliation process, the state of the national economy requires that further savings be made in the Federal budget. This is always a painful process, especially when the same program comes under the budget axe twice. Although I did not believe that we should make massive reductions in the food stamp program again this year, a significant amount of savings could still occur without imposing major hardship. As part of fulfilling its reconciliation targets the Committee decided to cut the food stamp program by $825 million in fiscal year 1983, $826 million in fiscal year 1984, and $886 million in fiscal year 1985. These savings were substantially lower than the level of cuts recommended by the Administration and incorporated in S. 2352, but they represent a reasonable and responsible approach to further curtailing food stamp program expenditures.

We are now at a point in the history of the food stamp program where the implementation of further budget cuts could result in serious hardship for low-income Americans who depend upon program benefits for survival. We need to exercise caution from here on. Last year, program eligibility was limited to the truly needy, and we need to make certain that these individuals are protected. We must be careful in dealing with our most vulnerable citizens.

Over the next 3 years, total program savings would be about $2.4 billion. Most of the savings would occur from scaling back the cost-of-living adjustment (COLA) in the next 2 years, delaying the update of the standard and excess shelter/dependent care deductions, modifying the household definition, limiting the use of standard utility allowances, and significantly tightening the current sanctions on States with high error rates in administration. S. 2493 attempted to avoid provisions which would result in eliminating people from the program or reducing what are already perceived as minimal nutrition benefits. I was concerned about savings proposals included in S. 2352 and the Administration's bill which would have cut benefits from nearly all participants, including the elderly and disabled. Proposals to raise the benefit reduction rate and to permanently freeze deductions result in an immediate loss of purchasing power across-the-board. They are qualitatively different types of proposals from those enacted last year, which were aimed at targeting benefits more efficiently.

I was equally concerned about proposals that would curtail benefits going to the working poor. In this context, there is not only the tremendously important issue of work incentives but also that of equity. I believe it is only fair that those who choose to work should have an incentive to do so. Further reductions in benefits to the working poor, such as decreasing or eliminating the earned income disregard or significantly lowering eligibility limits, would jeopardize this principle. It is not cost-effective Federal policy to build work disincentives into major social programs. The working poor were those primarily affected by last year's budget cuts in this program, and I believe we should do everything we can to encourage people who work to keep their jobs and not force them back on welfare by eliminating or reducing incentives to work. Such poli-

cies only result in short-term savings, and are myopic in their vision.

When faced with various options for implementing benefit reductions in the food stamp program, we should proceed with a special sensitivity toward elderly and disabled households. Concern over the sufficiency of benefits for elderly and disabled persons was a common theme expressed by State and local food stamp administrators across the country in their responses to Chairman Helms' request for their views on program reauthorization. These letters, which generally advocated a tightening of the program in other areas, stressed the inability of elderly and disabled households to augment their income like other households. The Committee defeated proposals that would have had a disproportionate effect upon the elderly and disabled—such as eliminating the minimum benefit and counting energy assistance as income against food stamp benefits. An estimated 40 percent of all households receiving energy assistance are elderly.

PROPOSALS REJECTED BY THE COMMITTEE

The Committee rejected outright specific proposals that could have had an adverse impact on the elderly, the disabled, and the working poor. Those proposals rejected by the Committee were:

(1) Raising the Benefit Reduction Rate.—This would have cut benefits across-the-board for nearly all households, including the elderly and disabled.

(2) Permanently Freezing the Standard and Shelter Deductions.—This would have resulted in across-the-board benefit reductions, with a most severe impact on recipients in states with high utility expenses.

(3) Lowering the Eligibility Limits.—This would have reduced the eligibility limits for the food stamp program to 100 percent of poverty—beyond the President's definition of "truly needy", or the 130 percent of poverty that was enacted last year.

(4) Lowering or Eliminating the Earned Income Deduction.—This would have penalized working poor families and increased work disincentives in the welfare system. Food stamp recipients who work were hit hardest by last year's budget cuts, and it is desirable to minimize this kind of impact.

(5) Counting Energy Assistance As Income Against Food Stamps.—This proposal would have forced many low income individuals, among them a disproportionate share of the elderly and disabled, to make a decision between heating or eating. It would have had a particularly inequitable and adverse impact on northern states with higher energy costs.

(6) Eliminating the Minimum Benefit.—This proposal, included in both S. 2352 and S. 2392, would have mainly eliminated benefits for elderly or disabled households, many of whom have incomes below the poverty line.

(7) Counting Food Stamps Against Housing Assistance.—This proposal would have resulted in major increases in rent for the poorest families, with a disproportionate impact on the elderly; the poorest families receive the most food stamps, and, therefore, their

rents would also increase the most if food stamps were counted as income.

(8) Counting School Lunches Against Food Stamps.—This provision was part of S. 2480, and was rejected again by the Committee this year.

(9) Restoring the Purchase Requirement.—Although this provision of S. 2480 did exempt the elderly and disabled, the Committee defeated this proposal by a vote of 4–12; the same proposal was rejected in the Committee and on the Senate floor last year.

(10) Individualizing Allotments.—This proposal would individualize allotments by the age and sex of each household member, which would primarily affect the elderly, women, and children; an attempt to revive it in Committee this year was again defeated.

(11) Employment Requirements.—Although I am in favor of strengthening work requirements for able-bodied food stamp recipients, the provision in S. 2480 would have denied benefits to unemployed people once their employment insurance benefits had run out, even if they could not find a job. The Committee rejected this proposal, and instead adopted a compromise to strengthen current work requirements in the program.

CONSTRUCTIVE PROGRAM CHANGES

I believe that the most important legislative changes needed to combat fraud and assure program accountability have already been enacted in recent years. Whatever changes we now make in the program should be directed toward simplifying administration and providing greater flexibility at the State and local level. We should avoid adding complex, new requirements if at all possible.

Categorical Eligibility

With this purpose in mind, the Committee adopted the categorical eligibility provision from S. 2493, which was widely supported by State and local administrators. Because of changes enacted in the AFDC program last year, virtually every "pure" AFDC household is eligible for food stamps. Therefore, it makes great administrative sense to initiate categorical or automatic eligibility for AFDC households in which all members are AFDC recipients. Enactment of categorical eligibility would save administrative costs by obviating the need for caseworkers to apply the separate food stamp resources test to these households.

Expedited Service

To ease workloads and curb abuse, eligibility for expedited service has been significantly tightened. Income and assets tests would be made very strict and food stamp agencies would have up to 5 days to provide assistance. In accordance with an amendment adopted by the Committee, participants can only enter the program by this route once every 6 months. Special protections for migrants would remain.

Prompt Reduction or Termination of Benefits

This provision adopted by the Committee would save food stamp agencies time and postage costs by eliminating the need for a sepa-

rate notice of adverse action if an agency has received a clear, written notice from a client that indicates a reduction or termination of benefits should occur.

Utility Allowances

The Committee adopted a provision from S. 2493 that would permit optional (rather than mandatory) use by States of actual utility expenses as opposed to a standard utility allowance in determining eligibility for the excess shelter deduction. The Committee also adopted that part of the S. 2493 provision that would tighten use of the standard utility allowance, so that certain clients who are unlikely to incur significant utility expenses must itemize their costs.

The use of itemized deductions has been one of the most error-prone and time-consuming procedures in the administration of the food stamp program. States unanimously favor the use of standardized deductions wherever possible. The Committee proposal represents a good, middle-ground position between current policy and moving to itemization of all utility costs. It addresses the major problems in utilizing the standard allowance, without unduly increasing administrative cost and effort.

Accountability and Issuance

Several provisions were adopted by the Committee which have the potential to greatly increase program accountability without mandating a great deal of additional effort on the part of program administrators. Among these are a significant tightening of fraud penalties for retailers. The Committee bill also includes what may represent the first step toward a dramatic improvement in accountability. This provision adopted from the original S. 2493 would authorize the Secretary of Agriculture to mandate alternative issuance systems in areas where he believes it would improve program integrity and save costs. The intention of this provision is to allow the Secretary to move forward aggressively in applying the use of advanced computer technology to the food stamp program.

WORK REQUIREMENTS

The Committee reasserted its strongly held view that no able-bodied person should receive food stamp benefits unless he or she is willing to work. Current work registration and job search requirements are designed to assure that voluntarily unemployed persons do not participate in the food stamp program, and the Committee encourages the Secretary to thoroughly reexamine existing work requirements and make any changes necessary to assure that they are effective.

The Committee dropped a previously adopted amendment to terminate food stamp assistance to the unemployed. In its place, the Committee approved a Dole-Huddleston provision to strengthen current statutory language governing work requirements to assure that no able-bodied participants who are voluntarily unemployed are able to receive food stamps.

Under the amendment endorsed by the Committee, the entire household is disqualified if any member subject to the work re-

quirements fails to fulfill *any one* of the following requirements: (1) registering for work; (2) meeting the job search requirements; (3) reporting for an interview at the state employment service office; (4) providing information to the state employment office on employment status or availability for work; (5) reporting to an employer to whom the person was referred by the employment office; (6) accepting a job offer; (7) voluntarily quitting a job. Some of these requirements exist in current regulations, but not in the law.

In addition, this amendment would provide for an increased penalty for continued failure to satisfy the job search requirements. Current regulations require a 2-month disqualification for failure to comply with any work requirement. Because of the particular importance of assuring that unemployed persons search for jobs, this amendment would change the penalty for failure to meet job search requirements. This amendment makes the disqualification for failure to meet job search requirements a permanent disqualification—unless and until the noncompliant person does come into compliance with the job search requirements.

As a result of Congressional action in 1981, a State may decide for itself whether or not a workfare program is appropriate for its food stamp population needs. This year, the Committee elected not to make such workfare programs mandatory until more information on their cost-effectiveness is available and States and local communities have had more experience in administering such programs. According to the National Governors' Association,

> Experience with both the general assistance population and various demonstrations suggests that the cost effectiveness of a program will vary depending on the characteristics of the economy and the recipients in any given locality. Workfare is not always the answer, and a federal mandate does not provide the flexibility to use the workfare tool only where it is cost effective and to substitute other more effective programs where appropriate.

The food stamp program is designed to serve persons who are truly in need. However, in times of high unemployment, increasing numbers of people become unemployed through no fault of their own and turn to the program for interim assistance. Still, the Congress has a major responsibility to the American taxpayer, and emphasizes the importance of having strict measures enforced to limit participation in the food stamp program to those who have no alternative source of income.

ERROR RATE SANCTIONS

One of the most important and controversial issues addressed by legislative proposals this year was that of sanctioning States for errors in administration of the food stamp program. The method of addressing State error rates could cause a significant change in the cost burdens of the Federal government vis-a-vis States and localities, as well as the quality of the relationship among these entities in determining whether an adversarial or a cooperative relationship will exist. After defeating a less realistic proposal by a vote of 4–13, the Committee adopted the error rate provision from the

Food Stamp Reform Act of 1982, which represented a reasonable and realistic approach to this entire issue and has important implications for the entire issue of federalism.

In my view, the error rate in the food stamp program is unacceptably high. For the latest available period, October 1980 to March 1981, the combined error rate for payments to ineligibles and overissuances was 10.6 percent. This amounts to approximately a $1 billion loss to the taxpayers. The wide disparity in State performance suggests that some States could be doing a far better job.

I believe the enactment of sanctions based on tough but realistic error rate goals will bring about better State performance and achieve significant savings without necessitating any benefit reductions in order to slow the growth of program expenditures. The error rate proposal from S. 2493, endorsed by the Committee, sets the sanctions at a level sufficient to spur State activity without depleting the very resources needed to perform the job adequately. The Committee does not propose to sanction States dollar-for-dollar for every error above their goal in any given year, and, as an incentive for outstanding performance, the Committee bill retains a feature of current law that rewards States for achieving an error rate under the specified level.

Savings from this proposal are estimated at $90 million for fiscal year 1983, $200 million for fiscal year 1984, and $325 million for fiscal year 1985.

By 1985, all States would be expected to bring their error rates down to five percent, which is a realistic goal, since the error rate for the more stable, federally administered SSI program is slightly over five percent at this time. Because the SSI program is less complex, with a less transient population, it is easier to administer; I do not believe that States should be held to a tighter performance standard than the Federal government can meet. Also, the food stamp program is more sensitive to fluctuating economic conditions than other programs which, in years like this one, can strain the capacities of local welfare departments.

The error rate proposal adopted form S. 2493 is aimed at reducing errors—not in imposing part of the cost of the food stamp program on the States, and the major savings expected from this proposal would come from lower error rates, not sanctions. I believe that an unduly harsh sanction system, such as that intended by zero error rates, may end up saving fewer Federal dollars than one that sets achievable goals.

OPTIONAL STATE BLOCK GRANT

Although an optional State block grant provision was not contained in the original S. 2493, it was adopted by the Committee from the Chairman's bill. This provision would provide States the option to withdraw from the food stamp program and receive a block grant instead.

There is a strong historical argument that the food stamp program should remain a Federal program, because it was initiated, in large part, as a response to the inadequacy of benefits and gaps in coverage of State welfare programs. President Nixon took the lead in describing domestic hunger and malnutrition as a national prob-

lem, and he proposed national eligibility and benefit standards for the food stamp program. As the "New Federalism" negotiations have indicated, the block grant approach is inappropriate for addressing problems of domestic hunger and malnutrition. Any State choosing the block grant would be likely to "cash out" the program as Puerto Rico has done, and there would be no assurance that food stamp funds would be used only for nutrition benefits. In addition, all of the program reforms that have been carefully enacted by the Congress to correct fraud and abuse problems would not necessarily carry over to administration at the State level, and this trend would mean a distinct regression for the program.

SPENDING CEILING

Although the original legislation that I introduced contained a provision to remove the food stamp program "cap", the Committee eventually endorsed spending ceilings on the program that are expected to allow sufficient funding to meet program needs. These "caps", recommended by the Agriculture Appropriations Subcommittee Chairman, Senator Thad Cochran, are as follows: $11.9 billion in fiscal year 1983, $12.3 billion in fiscal year 1984, and $13.2 billion in fiscal year 1985.

The food stamp "cap" was enacted into law in 1977, in conjunction with the elimination of the purchase requirement. Its purpose was to allow Congressional review if the elimination of the purchase requirement cost more than had been predicted by the Congressional Budget Office and the Department of Agriculture. From January 1979 (when EPR was implemented) through the end of 1980, the food stamp rolls grew in response to the elimination of the purchase requirement, as well as rising unemployment. However, the period of Food Stamp Program growth is now over. Food stamp participation stopped increasing in the winter of 1981—well before any of last year's budget cuts took effect. Despite 9.5 percent unemployment, program participation is now down to the levels it attained in the fall of 1980. The impact of the EPR is over.

Perhaps, the most dramatic evidence that food stamp growth surges are a thing of the past is the fact that the Food Stamp Program is costing about $300 billion less than its projected cost for the current fiscal year. Only six months ago, CBO and USDA estimated program costs at nearly $11.6 billion for fiscal year 1982. Currently, despite unemployment rates higher than had been projected, food stamp costs do not seem likely to exceed the $11.3 billion cap enacted last year.

Although the spending ceiling has now outlived its original purpose, it is still possible for the cap to be set too low. This can happen if unemployment is underestimated, if food prices are underestimated, or if unanticipated cuts are made in cash assistance programs at either the Federal or State level resulting in increased food stamp benefits.

Removal of the cap would not have restored the food stamp program to entitlement status. Spending could still be limited by the appropriations process. There would not be an automatic, legal entitlement to a prescribed level of benefits, because that section of

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the Food Stamp Act that ended the program's entitlement status in 1977 had been retained in S. 2493.

CONCLUSION

As Chairman of the Nutrition Subcommittee, I thank my colleagues for their support of the basic approach to food stamp reauthorization and reconciliation represented by S. 2493. Perhaps the most important provision that the Committee adopted was that of a 3-year extension of the food stamp program, which has been in a state of constant change for the last 5 years. We have now attempted to give the program a period of relative stability, while we continue to monitor its funding needs, as well as the nutrition needs of the people it serves.

BOB DOLE,
Chairman, Nutrition Subcommittee.

ADDITIONAL VIEWS OF SENATORS ANDREWS AND BOSCHWITZ

We support section 2(b) of S. 2665. Section 2(b) amends section 416 of the Agricultural Act of 1949 to establish Commodity Credit Corporation authority to donate dairy products to both needy Americans and, through foreign governments, international organizations, and public and private nonprofit humanitarian organizations, needy throughout the world. The legislation also provides for the CCC to pay for reprocessing, packaging, transportation, handling and other charges including the cost of overseas delivery of these products.

It is our intention that this legislation benefit the dairy industry and the American public in general by providing opportunities to make surplus dairy products available in a manner that does not interfere with normal marketing. At the same time, combatting global hunger and malnutrition is an important purpose of this legislation. Dairy products distributed overseas under this authority would be used to the maximum extent feasible in alleviating hunger and malnutrition of the nutritionally most vulnerable groups, and would be in addition to P.L. 480 food assistance contributions.

We recognize the fine work done by international organizations and public and private humanitarian organizations in distributing food overseas. These organizations, among them CARE, Catholic Relief Services, and the World Food Program, have used dairy products directly and in the form of CSM (corn-soy-milk) particularly for preschool and school feeding programs. The effectiveness of these feeding programs depends in part on a stable source of supply and upon advance planning and continuity in staffing and effort. Multiyear programming is particularly important in these feeding programs where discontinuation must be phased with host-country government takeover. For these reasons we recommend provisions be made for multi-year programming and that legitimate uses of dairy products under this authority include their use in the fortification of cereals processed in the United States.

It is our opinion that accountability of our food assistance efforts is enhanced when public and nonprofit private humanitarian organizations are involved. It is with this in mind that we recommend a "Food and Nutrition Advisory Committee" be established with representatives from private voluntary organizations, cooperatives, and industry to advise the Secretary of Agriculture in carrying out this authority.

MARK ANDREWS.

RUDY BOSCHWITZ.

ADDITIONAL VIEWS OF SENATOR HAWKINS

Recently, the Senate Agriculture Committee decided to freeze dairy price supports through fiscal year 1985 at $13.10. The purpose of the Committee's action was to meet the Committee's budget reconciliation instructions. According to Congressional Budget Office estimates, if the milk support price was held at $13.10 through September 1985, the cost of the program would decrease from the levels expected under current law by $150 million in fiscal year 1983, $520 million in fiscal year 1984, and $845 million in fiscal year 1985. The program, however, would still cost $1.9 billion in fiscal year 1983, $1.4 billion in fiscal year 1984, and $1.12 billion in fiscal year 1985. The Committee recognizes that its action does little to reduce the evergrowing stocks of government dairy purchases and has pledged to take action to alleviate the problem some time during the 97th Congress. I believe, however, that the time to take action is not sometime in the future, but now.

For years, the dairy price support program served its purpose well. But with the establishment of unreasonably high support levels in the late 1970's, producers were given the signal by Congress to increase production far beyond that which the market could bear. By October 1, 1980, the support level had risen to $13.10 per cwt, an astonishing 60 percent higher than only four years earlier, while production costs rose substantially less than that amount.

The result is obvious. In the last three years, dairy production has soared by 10 percent, forcing the government to purchase approximately 9 percent of the entire United States' production of dairy products. In 1981, the government was forced to purchase 21 percent of the nation's cheese production, 29 percent of the butter, and 65 percent of the nonfat dry milk. As of July 9, 1982, the Commodity Credit Corproation had purchased and stored 438 million pounds of butter, 772 million pounds of cheese, and 1.1 billion pounds of nonfat dry milk. To help visualize the amount in storage, imagine a train stretching from Washington, D.C. (the source of the problem) to New York City filled with surplus dairy products purchased and stored at taxpayers' expense.

And the corresponding increase in government costs? A program which cost only $46 million in 1979 skyrocketed to $1 billion in fiscal year 1980, and doubled in cost to $2 billion in fiscal year 1981. Program costs for this fiscal year are once again projected to be another $2 billion, every cent ultimately being borne by the taxpayer. Further, unless Congress acts immediately to reduce the current support level, government expenditures will once again approach $2 billion for every year the current $13.10 per cwt remains in effect.

We cannot fault the dairy farmer for the surplus. Low feed and beef prices have provided no incentive to reduce production, despite

the surplus. The fault must be shouldered by Congress which established the support level on which the dairy farmer must make his production decisions. Congress created the problem and now has the responsibility for solving it.

Currently, there are several dairy reform proposals pending before the Congress, each well-intentioned. However, I believe that the surest and least complicated method to restore integrity to the dairy program is to reduce the incentive for overproduction through a lowering of the dairy price support level.

History has shown that a reduction in the dairy price support level does act to reduce government pruchases of excess dairy products. In the past, the support price has been lowered significantly three times—in 1954, 1958, and 1962. On each of these occasions, the CCC purchases were reduced substantially.

Fiscal year 1954-1955—Support price was reduced 16 percent; CCC net removals dropped from the previous year's 6.8 billion pounds to 5.1 billion pounds—over a 50 percent reduction.

Fiscal year 1958-1959—Support price was reduced 6 percent; CCC net removals dropped from the previous year's 6.8 billion pounds to 3.5 billion pounds—over a 50 percent reduction.

Fiscal year 1962-1963—Support price decreased 8 percent; CCC net removals dropped from the previous year's 11.2 billion pounds to 8.8 billion pounds—over a 20 percent reduction.

Noting the historical effect of price reductions, I have introduced legislation which authorizes the Secretary of Agriculture to immediately set the support price for milk at a level not less than $12.60 per cwt and on January 1, 1983, to lower the support level further, to a floor of $12.00 per cwt. It should be pointed out that a $12.00 support price floor is still 48 percent higher than the support level of September, 1976.

The Department of Agriculture projects that a $12.00 support price will will save the Federal Government and the taxpayers $3.2 billion over the next three years, savings which Senators should bear in mind in light of substantial reductions in medicare, medicaid, and other programs so vital to millions of Americans.

In addition, the cost of all milk and milk products consumed will be reduced by over $1.7 billion although demand for dairy products will be increased by 1.5 billion pounds. By reducing the support level to a floor of $12.00, grocery store prices for milk could drop as much as 11¢ per gallon, cheese by 12¢ per pound, and butter by 15¢ per pound. Consumers who once were priced out of the dairy market may now be able to purchase dairy products they once could not afford. Additional savings would be realized because reduced dairy prices would be reflected in the CPI, upon which billions of dollars of federal programs are indexed.

For these reasons, I am exploring the option of lowering the dairy support price as an amendment to the budget reconciliation act when it comes to the Senate floor. Action must be taken now, because for every hour that Congress refuses to consider the problem, the American taxpayer is forced to spend $250,000 to purchase and store surplus dairy products. We owe it to the dairy producer,

taxpayer, and consumer to resolve this matter as fairly and expeditiously as possible.

PAULA HAWKINS.

ADDITIONAL VIEWS OF SENATOR PATRICK J. LEAHY ON FOOD STAMP PROVISIONS

For the fifth time in as many years, the Committee on Agriculture, Nutrition, and Forestry has reported major legislation affecting the food stamp program. In my own view, no further benefit reductions should be enacted, especially in light of the current serious economic situation facing millions of Americans. These food stamp provisions would reduce this program by about $800 million a year for the next 3 years—in addition to the $2 billion in benefit reductions enacted last year.

When these cuts are viewed in combination with reductions already enacted or scheduled to be enacted in other means-tested programs, it is clear to me that we have seriously weakened the social safety net which is designed to help our most vulnerable citizens.

At a time of high unemployment, I think the central issue before the Committee should have been how to make the program more responsive to human needs, not how much more in benefits should be cut. Dramatic testimony before the Nutrition Subcommittee indicated that many low-income Americans, especially the elderly, simply do not have enough income to feed themselves throughout the month. Private charitable food banks have been exhausted and the public need remains. I do not feel that this need was adequately addressed in Committee deliberations.

COMMITTEE CONSIDERATION

Despite these concerns, I feel that the Committee bill is an improvement over a number of bills, including the Administration's on the food stamp program.

The Administration's proposal would have cut benefits by about $2.3 billion in fiscal year 1983, with a particularly harsh effect on the elderly and disabled as well as the working poor. Ninety-two percent of all elderly and disabled households would have had benefits significantly reduced or eliminated. Ninety-four percent of the working households would have had benefit reductions or would have been eliminated from the program altogether. All told, 85 percent of all households, under the Administration's bill, would have had significant benefit reductions or have been taken off the program.

I was gratified that the Committee did not support the approach taken by the Administration's bill as well as those proposals introduced by Senators Helms and Hayakawa. Specifically the Committee rejected the following proposals which had also been defeated last year on the floor: counting energy assistance against food stamps (defeated 25–74), freezing the standard and shelter deduc-

tion (defeated 30–69), and reinstating the purchase requirement (defeated 33–66).

I would hope that any attempt to enact these or similar proposals on the Senate floor would also be rejected.

The Committee-passed food stamp legislation includes three provisions which concern me deeply: the spending ceiling, the optional block grant, and further cutbacks in the adjustments to the thrifty food plan.

The Committee chose to retain spending ceilings on the Food Stamp Program for fiscal year 1983–85. Whether these "caps" of $11.9 billion, $12.3 billion and $13.2 billion in the next 3 years (exclusive of Puerto Rico) will prove adequate will largely depend upon the performance of the economy. If the economy should fail to achieve the substantial recovery assumed in CBO's estimates, the spending ceilings assumed by the Committee could well be inadequate.

For instance, CBO assumes that the current 9.5 percent rate of unemployment will decline to an average of 8.6 percent in fiscal year 1983, 7.7 percent in fiscal year 1984 and 7.3 percent in fiscal year 1985. Since each one percent in average annual unemployment results in $650 million in annual food stamp costs, the spending ceilings will almost certainly prove inadequate unless there is a significant improvement in the unemployment rate.

In my own view the so-called "cap" is an artificial and false control on spending. President Reagan has already concluded that participation in the food stamp program has been limited to the "truly needy". To somehow cap these expenditures ignores the relationship between this program and prevailing economic conditions.

Similarly, I disagree with the optional block grants. The Congress developed the national feeding program to respond to vast differences in state capacity to meet basic human needs. To go back to a situation with potentially fifty different programs would lead to administrative chaos and inequalities in benefits.

The curtailment of the adjustments to the thrifty food plan also causes me great concern. Unlike other cost-of-living adjustments, the thrifty food plan costs are solely related to food price inflation. Holding back on these adjustments will clearly limit the buying power of our neediest citizens.

ACTIONS LAST YEAR

To further understand why I believe large additional reductions are inadvisable this year, it is important to remember what was done last year. Deep benefit reductions were enacted and many other areas of program fraud and abuse were addressed.

In 1981 food stamp legislation was enacted in two major pieces—the Omnibus Budget Reconciliation Act of 1981 (P.L. 97–35) and the Agriculture and Food Act of 1981 (P.L. 97–98). Together, these laws were credited with reducing food stamp costs about $2.3 billion below what the program would have otherwise cost.

The major changes enacted last year were:

A tightening of income eligibility limits to 130 percent of poverty for all non-elderly and non-disabled households. This

was the level suggested by the President to limit the program to the "truly needy."

A 9-month delay in Thrifty Food Plan adjustments. The adjustment scheduled for Octobler 1, 1982, will be first in 21 months.

A freezing of the standard and excess shelter/dependent care deductions for a 2½-year period through July 1, 1983. Also, a requirement that these deductions be updated in the future by a price index without the housing component distortion currently attributed to the CPI.

A reduction in the deduction allowed for work related expenses from 20 percent to 18 percent of earnings.

A mandate of retrospective accounting and periodic reporting.

Elimination of strikers.

Conversion of the food stamp program in Puerto Rico; to a block grant at reduced and fixed funding levels.

A requirement that benefits paid in the first month of eligibility be prorated according to when in the month the application was received.

A tightening of work requirements and nationwide workfare at State or local option.

An increase in penalties for fraud and misrepresentation and minimum mandatory court sentences for criminal offenses.

A variety of other measures to improve program administration and enhance accountability.

Clearly the food stamp program is not the same program it was a few years ago. A few years ago there was widespread concern over the program's growth in participation and cost. Fueled by high food price inflation, rising unemployment and, to a lesser extent, the elimination of the requirement that participants purchase stamps, food stamp costs did rise more quickly in the late 1970's than had been anticipated.

The program has now stabilized. This is the third straight year that major cost-cutting legislation will be passed. Despite a deepening recession, it appears that food stamp costs in fiscal year 1982 will be no more than in fiscal year 1981. In fact, in his February budget the President assumed that nearly $300 million in savings would have to be achieved in the current fiscal year if program costs in fiscal year 1982 were to stay below the $11.3 billion ceiling in the law. Despite higher than expected unemployment this year, it now appears that the $11.3 billion will be sufficient for fical year 1982 even without the enactment of savings this year. This is the clearest possible sign that program expenditures are under control.

In other important respects, there is a time lag between the public's perception of this program and reality. High-ranking-government officials and Members of Congress continue to criticize this program even though the perceived problems have been thouroughly addressed by legislation. This program is now indisputably limited to the President's definition of "truly needy."

The program does not now have, and has not had for some time, participants who are middle-class college students. A very small number of students participate in the program and these are pri-

marily persons who are disabled, have dependents of their own, or work at least half-time.

This program has stiff work requirements. All able-bodied participants must register for work, search for work, accept a job if offered and otherwise cooperate with the state employment service. This bill actually expands the number of persons subject to work requirements, increases the number of hours they must work and stiffens the penalty imposed on households having a member who voluntarily quits a job. Legislation enacted last year allows any state or locality that so wishes to institute a mandatory workfare program—that is, a program where recipients work in return for their food stamp benefits. Altogether, there is no question that the current Food Stamp Act is designed to keep voluntarily unemployed persons off the program.

This program has stiff penalties for fraud and abuse, whether the problem exists among clients, retailers or other individuals. In the past few years dozens of provisions proposed by the Inspector General, USDA and state and local officials have been enacted in an effort to enhance program integrity and management. Whatever fraud and abuse problems this program may have had in the past, and these problems have been greatly exaggerated, there should be far fewer in the future. They have been addressed as thoroughly and effectively as Congress can through legislation. The burden now rests with Federal, State and local administrators to aggressively implement these changes.

Overall, then, the food stamp program is a carefully targeted and effective program. Through constant oversight in the past 5 years, Congress has addressed the real and perceived problems with the program. It is a program worthy of widespread bipartisan support in Congress. The USDA fact sheet on Characteristics of Food Stamp Households contained in the appendix to these views indicates how poor most recipients are and how meager the assistance they receive. I urge my colleagues to refrain from supporting any efforts to undermine the already diminished assistance this program now provides.

SUMMARY OF COMMITTEE HEARINGS

I think it is important to point out that the Committee's action is consistent with correspondence addressed to the Committee and the message presented at hearings on the food stamp program held earlier this year. The following themes were emphasized by state and local government organizations, program administrators, elderly and religious groups, and noted academics:

—The food stamp program is an effective and indispensable program.

—No further benefit reductions should occur this year.

—There is a need for program stability if the program is to be administered properly.

—The private, voluntary sector is hard-pressed now and cannot fill the gap created by major social program reductions.

This is not to say that no witnesses or correspondence criticized the program. Various witnesses urged specific changes, but most

were of a limited nature and are addressed in the bill reported by the Committee.

One witness was noted nutritionist and Tufts University President Jean Mayer. In reference to the President's budget proposals, he stated the following:

> This is a sad occasion. We are talking about an attempt to roll back the only major social advance made in this country in the last fifteen years, at a time when we should be exploring ways to improve and extend these programs to reach every unemployed or low-income worker. The problem of hunger and malnutrition due to poverty has been a very serious one in the United States. There are still some areas of concern, but it has essentially been solved by these large-scale federal feeding programs. Some, like WIC, were instituted, and all were expended on an entirely bipartisan basis by Democratically-controlled Congress and two Republican administrations working together. Their success has created a feeling of healing and solidarity in the nation.
>
> Now this administration is trying to reduce food aid to needy Americans in the middle of a recession created and fostered by the national government as the most effective way to reduce inflation. If we accept these cuts, the immediate effect would be to impose additional burdens on those citizens who can least afford another blow * * *

About the food stamp program, he added:

> Food stamps, in particular, have proven to be our prime bulwark against hunger due to poverty. It is the program many needy people depend on for three meals a day, the base on which the other rests. It was designed as an income supplement targeted specifically to food in order to ensure participants an adequate diet in times of economic stringency. It has functioned well * * *
>
> There are some programs that have been labeled child nutrition programs and they automatically acquire a great deal more emotional impact than the Food Stamp Program, but *the Food Stamp Program is the main child nutrition program in the United States.* Two-thirds of the recipients of the Food Stamp Program are children. The children are fed every day, three meals a day, through the Food Stamp Program. * * * (Emphasis added.)

The viewpoint of state and local program administrators was presented in both correspondence and testimony. Typical of their point of view were these excerpts from letters to the Committee.

> If there is one thing state administrators believe the Food Stamp Program needs right now, it is stability. For five years, the program has been in a constant state of change, as one attempt after another has been made to rein in its costs. While many of the resulting changes may have been necessary, they have fulfilled their purpose of limiting benefits to the people who really need them, such that further major revisions of this sort would only de-

prive those in need of essential assistance and unnecessarily complicate administration of the program.

(Letter of May, 1982, from the National Council of State Public Welfare Administrators to Committee members.)

> The Food Stamp Program is suffering badly because of the constant program upheaval caused by the seemingly endless string of changes being produced in Washington * * * It is very plainly evident that the constant stream of program changes is more costly in North Dakota than are the abuses those changes are intended to correct. We, therefore, implore program stability, not further program change.

(Letter of January 13, 1982 to Senator Helms from Dale Moug, Director of the North Dakota Department of Human Services.)

In addition, Acel Martelle, Director of the Nevada Department of Human Resources testified before the Committee on March 29, 1982. He stated the following:

> A program which is a continuous state of flux has no stability, is extremely difficult and costly to administer, is inherently error-prone, as well as confusing to both the clients and workers * * * It would be beneficial to put a moratorium on all program changes for at least one year.

Thus, the predominant point of view from program administrators has been to leave the food stamp program alone. While some favor certain limited changes, there certainly has been no outcry from the hinterlands for a massive overhaul of the program. In fact, USDA is still far behind in implementing the many program changes Congress has passed in recent years to enhance program accountability and management.

The point of view of religious groups and others concerned about the effect of budget cuts on clients was eloquently presented by Bishop Joseph Sullivan in the February 22, 1982, Nutrition Subcommittee hearing. He stated the following:

> In discussions with officials of Catholic Charities and the State Catholic Conferences from around the country, we have learned of a dramatic increase in recent months in the demand for emergency services, especially for food and cash assistance. What we have heard from individual bishops, from Catholic Charities agencies, from inner city pastors, from organizers of self-help programs for the poor, from volunteers who are running soup lines, food pantries and emergency shelters—is essentially the same message: the cuts have hurt the poor severely * * *
>
> * * * As a Catholic bishop, I have listened carefully to the suggestion that the voluntary sector, and the churches in particular, can and should take up the slack caused by the budget cuts. This suggestion, that private charity can increase sufficiently to make key government programs unnecessary, ignores both history and reality. From a practical standpoint, it is simply not within the realm of

possibility to suggest that the voluntary sector can replace major and necessary government programs.

The hearing record thus makes clear that the Nation's poor and unemployed are facing difficult times. To further cut back on the aid now available to these people would have the most serious consequences.

PATRICK J. LEAHY.

APPENDIX TO ADDITIONAL VIEWS OF SENATOR PATRICK J. LEAHY

Characteristics of Food Stamp Households

The majority of households participating in the program are very poor.

—The average gross monthly income per food stamp household is $326 (the annual equivalent of $3,912).

—About half of all households have incomes of less than $300 per month (the annual equivalent of $3,600).

Food stamp households also tend to have few assets.

—75 percent own no countable assets and 98 percent have assets of $1,500 or less.

—29 percent of food stamp households own homes, compared to 67 percent of all other households.

—Nearly two-thirds of food stamp households do not own a car or other vehicle.

—Elderly households are more likely than younger households to own homes or to have larger amounts of liquid assets.

Benefits provided by the program currently average 44 cents per person per meal.

Nearly three-quarters of food stamp recipients are children, the elderly and single parents who are heads of households.

Recent changes in food stamp law have reduced the number of persons eligible for the program by over 7 million.

—The Food Stamp Act of 1977 reduced the number of eligible persons by 3.5 million.

—The Food Stamp Act Amendments of 1979, 1980, and 1981 reduced the number of persons eligible for the program by another 4.2 million.

The number of students in the Food Stamp Program was reduced significantly as a result of the 1980 amendments to the law. Students now represent two-tenths of one percent of the food stamp caseload, or 47,000 persons.

Source: USDA/FNS.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

FOOD STAMP ACT OF 1977

SHORT TITLE

SEC. 1. This Act may be cited as the "Food Stamp Act of 1977".

* * * * * * *

DEFINITIONS

SEC. 3. [As] *Except as provided in section 21(a), as* used in this Act, the term:

(a) "Allotment" means the total value of coupons a household is authorized to receive during each month.

* * * * * * *

(i) "Household" means (1) an individual who lives alone or who, while living with others, customarily purchases food and prepares meals for home consumption separate and apart from the others, or (2) a group of individuals who live together and customarily purchase food and prepare meals together for home consumption, except that [parents and children] *related individuals* who live together shall be treated as a group of individuals who customarily purchase and prepare meals together for home consumption even if they do not do so, unless one of [the parents] *the related individuals* is [sixty years of age or older or receives supplemental security income benefits under title XVI of the Social Security Act or disability or blindness payments under title I, II, X, XIV, or XVI of the Social Security Act.] *an elderly or disabled member.* In no event shall any individual or group of individuals constitute a household if they reside in an institution or boarding house or else live with others and pay compensation to the others for meals. For the purpose of this subsection, residents of federally subsidized housing for the elderly, disabled or blind recipients of benefits under title II or title XVI of the Social Security Act who are residents in a public or private nonprofit group living arrangement that serves no more than sixteen residents and is certified by the appropriate State agency or agencies under regulations issued under section 1616(e) of the Social Security Act, temporary residents of public or private nonprofit shelters for battered women and children, and narcotics addicts or alcoholics who live under the supervision of a private nonprofit institution for the purpose of regular participation in a drug or alcoholic treatment program shall not be considered residents of institutions and shall be considered individual households.

(o) "Thrifty food plan" means the diet required to feed a family of four persons consisting of a man and a woman twenty through fifty-four, a child six through eight, and a child nine through

eleven years of age, determined in accordance with the Secretary's calculations. The cost of such diet shall be the basis for uniform allotments for all households regardless of their actual composition, except that the Secretary shall (1) make household-size adjustments (*based on the unrounded cost of such diet*) taking into account economies of scale, (2) make cost adjustments in the thrifty food plan for Hawaii and the urban and rural parts of Alaska to reflect the cost of food in Hawaii and urban and rural Alaska, (3) make cost adjustments in the separate thrifty food plans for Guam, and the Virgin Islands of the United States to reflect the cost of food in those States, but not to exceed the cost of food in the fifty States and the District of Columbia, (4) through January 1, 1980, adjust the cost of such diet every January 1 and July 1 to the nearest dollar increment to reflect changes in the cost of the thrifty food plan for the six months ending the preceding September 30 and March 31, respectively, (5) on January 1, 1981, adjust the cost of such diet to the nearest dollar increment to reflect changes in the cost of the thrifty food plan for the twelve months ending the preceding September 30, [(6) on October 1, 1982, adjust the cost of such diet to the nearest dollar increment to reflect changes in the cost of the thrifty food plan for the twenty-one months ending the preceding June 30, 1982, and (7) on October 1, 1983, and each October 1 thereafter, adjust the cost of such diet to the nearest dollar increment to reflect changes in the cost of the thrifty food plan for the twelve months ending the preceding June 30] *(6) on October 1, 1982, adjust the cost of such diet to the nearest lower dollar increment for each household size to reflect changes in the cost of the thrifty food plan for the eighteen months ending March 31, 1982, (7) on October 1, 1983, adjust the cost of such diet to the nearest lower dollar increment for each household size to reflect changes in the cost of the thrifty food plan for the thirteen months ending April 30, 1983, (8) on October 1, 1984, adjust the cost of such diet to the nearest lower dollar increment for each household size to reflect changes in the cost of the thrifty food plan for the thirteen months ending May 31, 1984, (9) on October 1, 1985, adjust the cost of such diet to the nearest lower dollar increment for each household size to reflect changes in the cost of the thrifty food plan for the thirteen months ending June 30, 1985, and (10) on each October 1 thereafter, adjust the cost of such diet to the nearest lower dollar increment for each household size to reflect changes in the cost of the thrifty food plan for the twelve months ending the preceding June 30: Provided,* That the periods upon which such adjustments are based shall be subject to revision by Act of Congress.

* * * * * * *

(r) "Elderly or disabled members" means a member of a household who—

(1) is sixty years of age or older;

(2) receives supplemental security income benefits under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.);

(3) receives disability or blindness payments under title I, II, X, XIV, or XVI of the Social Security Act (42 U.S.C. 301 et seq.);

(4) is a veteran who—

(A) has a service-connected disability which is rated as total under title 38, United States Code; or

(B) is considered in need of regular aid and attendance or permanently housebound under such title;

(5) is a surviving spouse of a veteran and—

(A) is considered in need of regular aid and attendance or permanently housebound under title 38, United States Code; or

(B) is entitled to compensation for a service-connected death or pension benefits for a non-service-connected death under title 38, United States Code, and has a disability considered permanent under section 221(i) of the Social Security Act (42 U.S.C. 421(i)); or

(6) is a child of a veteran and—

(A) is considered permanently incapable of self-support under section 414 of title 38, United States Code; or

(B) is entitled to compensation for a service-connected death or pension benefits for a non-service-connected death under title 38, United States Code, and has a disability considered permanent under section 221(i) of the Social Security Act (42 U.S.C. 421(i)).

ESTABLISHMENT OF THE FOOD STAMP PROGRAM

SEC. 4. (a) Subject to the availability of funds appropriated under section 18*(a)(1)* of this Act, the Secretary is authorized to formulate and administer a food stamp program under which, at the request of the State agency, eligible households within the State shall be provided an opportunity to obtain a more nutritious diet through the issuance to them of an allotment. The coupons so received by such households shall be used only to purchase food from retail food stores which have been approved for participation in the food stamp program. Coupons issued and used as provided in this Act shall be redeemable at face value by the Secretary through the facilities of the Treasury of the United States.

* * * * * * *

ELIGIBLE HOUSEHOLDS

SEC. 5. (a) Participation in the food stamp program shall be limited to those households whose incomes and other financial resources, held singly or in joint ownership, are determined to be a substantial limiting factor in permitting them to obtain a more nutritious diet. Assistance under this program shall be furnished to all eligible households who make application for such participation.

(b) The Secretary shall establish uniform national standards of eligibility (other than the income standards for Alaska, Hawaii, Guam, and the Virgin Islands of the United States established in accordance with subsections (c) and (e) of this section) for participation by households in the food stamp program in accordance with the provisions of this section. No plan of operation submitted by a State agency shall be approved unless the standards of eligibility meet those established by the Secretary, and no State agency shall

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impose any other standards of eligibility as a condition for participating in the program.

[(c) The income standards of eligibility shall be—

[(1) for households containing a member who is sixty years of age or over or a member who receives supplemental security income benefits under title XVI of the Social Security Act or disability and blindness payments under titles, I, II, X, XIV, and XVI of the Social Security Act, 100 per centum, and

[(2) for all other households, 130 per centum, of the nonfarm income poverty guidelines prescribed by the Office of Management and Budget, adjusted annually pursuant to section 625 of the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2971d), for the forty-eight States and the District of Columbia, Alaska, Hawaii, the Virgin Islands of the United States, and Guam, respectively: *Provided,* That in no event shall the standards of eligibility for the Virgin Islands of the United States, or Guam exceed those in the forty-eight contiguous States.]

(c) The income standards of eligibility shall provide that a household shall be ineligible to participate in the food stamp program if—

(1) the household's income (after the exclusions and deductions provided for in subsections (d) and (e)) exceeds the poverty line, as defined in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)), for the forty-eight contiguous States and the District of Columbia, Alaska, Hawaii, the Virgin Islands of the United States, and Guam, respectively; and

(2) in the case of a household that does not include an elderly or disabled member, the household's income (after the exclusions provided for in subsection (d) but before the deductions provided for in subsection (e)) exceeds such poverty line by more than 30 per centum.

In no event shall the standards of eligibility for the Virgin Islands of the United States or Guam exceed those in the forty-eight contiguous States.

(d) Household income for purposes of the food stamp program shall include all income from whatever source excluding only (1) any gain or benefit which is not in the form of money payable directly to a household, (2) any income in the certification period which is received too infrequently or irregularly to be reasonably anticipated, but not in excess of $30 in a quarter, subject to modification by the Secretary in light of section 5(f) of this Act, (3) all educational loans on which payment is deferred, grants, scholarships, fellowships, veterans' educational benefits, and the like to the extent that they are used for tuition and mandatory school fees at an institution of higher education or school for the handicapped, (4) all loans other than educational loans on which repayment is deferred, (5) reimbursements which do not exceed expenses actually incurred and which do not represent a gain or benefit to the household: *Provided,* That no portion of benefits provided under title IV-A of the Social Security Act, to the extent it is attributable to an adjustment for work-related or child care expenses, shall be considered such reimbursement, (6) moneys received and used for the care and maintenance of a third-party beneficiary who is not a

household member, (7) income earned by a child who is a member of the household, who is a student, and who has not attained his eighteenth birthday, (8) moneys received in the form of nonrecurring lump-sum payments, including, but not limited to, income tax refunds, rebates, or credits, retroactive lump-sum social security or railroad retirement pension payments and retroactive lump-sum insurance settlements: *Provided,* That such payments shall be counted as resources, unless specifically excluded by other laws, (9) the cost of producing self-employed income, (10) any income that any other Federal law specifically excludes from consideration as income for the purpose of determining eligibility for the food stamp program, [and] (11) any payments or allowances made under (A) any Federal law for the purpose of providing energy assistance, or (B) any State or local laws for the purpose of providing energy assistance, designated by the State or local legislative body authorizing such payments or allowances as energy assistance, and determined by the Secretary to be calculated as if provided by the State or local government involved on a seasonal basis for an aggregate period not to exceed six months in any year even if such payments or allowances (including tax credits) are not provided on a seasonal basis because it would be administratively infeasible or impracticable to do so, *and (12) through September 30 of any fiscal year, any increase in income attributable to a cost-of-living adjustment made on or after July 1 of such fiscal year under titles II or XVI of the Social Security Act (42 U.S.C. 401 et seq.), section 3(a)(1) of the Railroad Retirement Act of 1974 (45 U.S.C. 231(b)(a)(1)), or section 3112 of title 38, United States Code, if the household was certified as eligible to participate in the food stamp program or received an allotment in the month immediately prededing the first month in which the adjustment was effective.*

(e) In computing household income for purposes of determining eligibility and benefit levels for [households described in subsection (c)(1)] *households containing an elderly or disabled member* and determining benefit levels only for all other households the Secretary shall allow a standard deduction of $85 a month for each household, except that households in Alaska, Hawaii, Guam, and the Virgin Islands of the United States shall be allowed a standard deduction of $145, $120, $170, and $75, respectively. [Such standard deductions shall be adjusted (1) on July 1, 1983, to the nearest $5 increment to reflect changes in the Consumer Price Index for all urban consumers published by the Bureau of Labor Statistics, for items other than food and the homeownership component of shelter costs, as appropriately adjusted by the Bureau of Labor Statistics after consultation with the Secretary, for the fifteen months ending the preceding March 31, (2) on October 1, 1984, to the nearest $5 increment to reflect such changes for the fifteen months ending the preceding June 30, and (3) on October 1, 1985, and each October 1 thereafter, to the nearest $5 increment to reflect cuch changes for the twelve months ending the preceding June 30.] *Such standard deductions shall be adjusted (1) on October 1, 1984, to the nearest lower dollar increment to reflect changes in the Consumer Price Index for all urban customers published by the Bureau of Labor Statistics, for items other than food and the homeownership component of shelter costs, as appropriately adjusted by the*

Bureau of Labor Statistics after consultation with the Secretary, for the twenty-one months ending September 30, 1983, (2) on October 1, 1985, to the nearest lower dollar increment to reflect such changes for the twenty-one months ending June 30, 1985, and (3) on October 1, 1986, and each October 1 thereafter, to the nearest lower dollar increment to reflect such changes for the twelve months ending the preceding June 30. All households with earned income shall be allowed an additional deduction of 18 per centum of all earned income (other than that excluded by subsection (d) of this section), to compensate for taxes, other mandatory deductions from salary, and work expenses. Households, other than those households containing [a member who is sixty years of age or over or who receives supplemental security income benefits under title XVI of the Social Security Act or disability and blindness payments under titles I, II, X, XIV of the Social Security Act] *an elderly or disabled member* shall also be entitled, with respect to expenses other than expenses paid on behalf of the household by a third party, to (1) a dependent care deduction, the maximum allowable level of which shall be the same as that for the excess shelter expense deduction contained in clause (2) of this subsection, for the actual cost of payments necessary for the care of a dependent, regardless of the dependent's age, when such care enables a household member to accept or continue employment, or training or education that is preparatory for employment, or (2) an excess shelter expense deduction to the extent that the monthly amount expended by a household for shelter exceeds an amount equal to 50 per centum of monthly household income after all other applicable deductions have been allowed: *Provided,* That the amount of such excess shelter expense deduction shall not exceed $115 a month in the forty-eight contiguous States and the District of Columbia, and shall not exceed, in Alaska, Hawaii, Guam, and the Virgin Islands of the United States, $200, $165, $140, and $85, respectively, adjusted (i) on [July 1, 1983] *October 1, 1983,* to the [nearest $5 increment] *nearest lower dollar increment* to reflect changes in the shelter (exclusive of homeownership costs), fuel, and utilities components of housing costs in the Consumer Price Index for all urban consumers published by the Bureau of Labor Statistics, as appropriately adjusted by the Bureau of Labor Statistics after consultation with the Secretary, for the fifteen months ending the preceding March 31, (ii) on October 1, 1984, to the [nearest $5 increment] *nearest lower dollar increment* to reflect such changes for the fifteen months ending the preceding June 30, and (iii) on October 1, 1985, and each October 1, thereafter, to the [nearest $5 increment] *nearest lower dollar increment* to reflect such changes for the twelve months ending the preceding June 30, or (3) a deduction combining the dependent care and excess shelter expense deductions under clauses (1) and (2) of this subsection, the maximum allowable level of which shall not exceed the maximum allowable deduction under clause (2) of this subsection. *In computing the excess shelter expense deduction under clause (2) of the preceding sentence, a State agency may use a standard utility allowance in accordance with regulations promulgated by the Secretary, except that a State agency may use an allowance which does not fluctuate within a year to reflect seasonal variations. An allowance for a heating or cooling expense may not be*

used for a household that does not incur a heating or cooling expense, as the case may be, or does incur a heating or cooling expense but is located in a public housing unit which has central utility meters and charges households, with regard to such expense, only for excess utility costs. No such allowance may be used for a household that shares such expense with, and lives with, another individual not participating in the food stamp program, another household participating in the food stamp program, or both, unless the allowance is prorated between the household and the other individual, household, or both. Households containing [a member who is sixty years of age or over or who receives supplemental security income benefits under title XVI of the Social Security Act or disability and blindness payments under titles, I, II, X, XIV, and XVI of the Social Security Act] *an elderly or disabled member* shall also be entitled, with respect to expenses other than expenses paid on behalf of the household by a third party, to—

(A) an excess medical expense deduction for that portion of the actual cost of allowable medical expenses, incurred by [household members who are sixty years of age or over or who receive supplemental security income benefits under title XVI of the Social Security Act, or disability and blindness payments under titles I, II, X, XIV, and XVI of the Social Security Act] *elderly or disabled members,* exclusive of special diets, that exceed $35 a month;

(B) a dependent care deduction, the maximum allowable level of which shall be the same as that for the excess shelter expenses deduction contained in clause (2) of the [preceding sentence] *fourth sentence of this subsection,* for the actual cost of payments necessary for the care of a dependent, regardless of the dependent's age, when such care enables a household member to accept or continue employment, or training or education that is preparatory for employment; and

(C) an excess shelter expense deduction to the extent that the monthly amount expended by a household for shelter exceeds an amount equal to 50 per centum of monthly household income after all other applicable deductions have been allowed.

(f)(1)(A) Household income for those households that, by contract for other than an hourly or piecework basis or by self-employment, derive their annual income in a period of time shorter than one year shall be calculated by averaging such income over a twelve-month period.

(B) Household income for those households that receive nonexcluded income of the type described in subsection (d)(3) of this section shall be calculated by averaging such income over the period for which it is received.

(2)(A) Household income for migrant farmworker households shall be calculated on a [propsective] *prospective* basis, as provided in paragraph (3)(A).

* * * * * * *

(g) The Secretary shall prescribe the types and allowable amounts of financial resources (liquid and nonliquid assets) an eligible household may own, and shall, in so doing, assure that a household otherwise eligible to participate in the food stamp pro-

gram will not be eligible to participate if its resources exceed $1,500, or, in the case of a household consisting of two or more persons, one of who is age 60 or over, if its resources exceed $3,000. The Secretary shall, in prescribing inclusions in, and exclusions from, financial resources, follow the regulations in force as of [June 1, 1977] *June 1, 1982* (other than those relating to licensed vehicles), and shall, in addition, [(1)] include in financial resources any boat, snowmobiles, and airplanes used for recreational purposes, any vacation homes, any mobile homes used primarily for vacation purposes, [and] any licensed vehicle (other than one used to produce earned income or that is necessary for transportation of a physically disabled household member) used for household transportation or used to obtain or continue employment to the extent that the fair market value of any such vehicle exceeds $4,500[, and (2) study and develop means of improving the effectiveness of these resources requirements in limiting participation to households in need of food assistance, and implement and report the results of such study and the Secretary's plans to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate no later than June 1, 1978.] *, and, regardless of whether there is a penalty for early withdrawal, any savings or retirement accounts (including individual accounts) and the cash value of any pensions accessible to the household.*

* * * * * * *

(j) Notwithstanding subsections (a) through (i), a State agency may consider a household in which all members of the household receive benefits under a State plan approved under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) and whose income does not exceed the applicable income standard of eligibility described in subsection (c)(2) to have satisfied the resource limitations prescribed under subsection (g).

ELIGIBILITY DISQUALIFICATIONS

SEC. 6. (a) In addition to meeting the standards of eligibility prescribed in section 5 of this Act, households and individuals who are members of eligible households must also meet and comply with the specific requirements of this section to be eligible for participation in the food stamp program.

* * * * * * *

(c) No household shall be eligible to participate in the food stamp program if it refuses to cooperate in providing information to the State agency that is necessary for making a determination of its eligibility or for completing any subsequent review of its eligibility.

(1) State agencies that elect to use a system of retrospective accounting in accordance with section 5(f) of this Act shall require certain categories of households, including all households with earned income, except migrant farmworker households, all households with potential earners, including individuals receiving unemployment compensation benefits and individuals required by section 6(d) of this Act to register for work, and all households required to file a similar report under title IV–A of the Social Secu-

rity Act, but not including households that have no earned income and in which all members are [sixty years of age or over or receive supplemental security income benefits under title XVI of the Social Security Act or disability and blindness payments under titles I, II, X, XIV, and XVI of the Social Security Act] *elderly or disabled members,* to file periodic reports of household circumstances in accordance with standards prescribed by the Secretary. Other State agencies, which have received the approval of the Secretary may also require such categories of households to file periodic reports. Each household that is not required to file such periodic reports on a monthly basis shall be required to report or cause to be reported to the State agency [, on a form designed or approved by the Secretary,] changes in income or household circumstances which the Secretary deems necessary in order to assure accurate eligibility and benefit determinations.

(2) Any household required to file a periodic report under paragraph (1) of this subsection shall, (A) if it is eligible to participate and has filed a timely and complete report, receive its allotment, based on the reported information for a given month, within thirty days of the end of that month unless the Secretary determines that a longer period of time is necessary, (B) have available special procedures that permit the filing of the required information in the event all adult members of the household are mentally or physically handicapped or lacking in reading or writing skills to such a degree as to be unable to fill out the required forms, (C) have a reasonable period of time after the close of the month in which to file their reports on forms approved by the Secretary, and (D) be afforded prompt notice of failure to file any report timely or completely, and given a reasonable opportunity to cure that failure (with any applicable time requirements extended accordingly) and to exercise its rights under section 11(e)(10) of this Act.

(3) Reports required to be filed under paragraph (1) of this subsection shall be considered complete if, in accordance with standards prescribed by the Secretary, they contain sufficient information to enable the State agency to determine household eligibility and allotment levels. All report forms, including those related to periodic reports of circumstances, shall contain a description, in understandable terms in prominent and bold face lettering, of the appropriate civil and criminal provisions dealing with violations of this Act including the prescribed penalties. The reporting requirements contained in paragraph (1) of this subsection shall be the sole such requirements for reporting changes in circumstances for participating households. In promulgating regulations implementing these reporting requirements, the Secretary shall consult with the Secretary of Health and Human Services, and, wherever feasible, households that receive assistance under title IV-A of the Social Security Act and that are required to file comparable reports under that Act shall be provided the opportunity to file reports at the same time for purposes of both Acts.

(4) Any household that fails to submit periodic reports required by paragraph (1) shall not receive an allotment for the payment period to which the unsubmitted report applies until such report is submitted.

(5) The Secretary is authorized, upon the request of a State agency, to waive any provisions of this subsection (except the provisions of the first sentence of paragraph (1) which relate to households which are not required to file periodic reports) to the extent necessary to permit the State agency to establish periodic reporting requirements for purposes of this Act which are similar to the periodic reporting requirements established under the State plan approved under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) in that State.

(d)[(1) Unless otherwise exempted by the provisions of paragraph (d)(2) of this subsection, no household shall be eligible for assistance under this Act if it includes a physically and mentally fit person between the ages of eighteen and sixty who (i) refuses at the time of application and once every twelve months thereafter to register for employment in a manner determined by the Secretary; (ii) refuses to fulfill whatever reasonable reporting and inquiry about employment requirements as are prescribed by the Secretary; (iii) is head of the household and voluntarily quits any job without good cause: *Provided,* That the period of ineligibility shall be sixty days from the time of the voluntary quit; or (iv) refuses without good cause (including the lack of adequate child care for children above the age of five and under the age of twelve to accept an offer of employment at a wage not less than the higher of either the applicable State or Federal minimum wage, or 80 per centum of the wage that would have governed had the minimum hourly rate under the Fair Labor Standards Act of 1938, as amended (29 U.S.C. 206(a)(1)), been applicable to the offer of employment, at a site or plant not then subject to a strike or lockout.] *(1)(A) Unless otherwise exempted by paragraph (2), a household shall be ineligible for assistance under this Act if it includes a physically and mentally fit person between the ages of eighteen and sixty who—*

(i) refuses at the time of application and once every twelve months thereafter to register for employment in a manner determined by the Secretary;

(ii) refuses to fulfill whatever reasonable job search requirements are prescribed by the Secretary, which may include a requirement that such job search commence at the time of application for assistance, except that noncompliance with this clause shall result in permanent disqualification of the entire household unless and until such person complies with this clause;

(iii) refuses without good cause to report for an interview upon the reasonable request of a State employment service office (or other agency designated in accordance with regulations prescribed by the Secretary);

(iv) refuses without good cause to respond to a request from a State employment service office (or other designated agency) for information regarding employment status or availability for work;

(v) refuses without good cause to report to an employer to whom the person was referred by a State employment service office (or other designated agency) if the potential employment meets requirements prescribed by the Secretary;

(vi) while participating in the food stamp program is, or within ninety days before application for participation in such program was, head of the household and voluntarily quits a job without good cause, except that the period of ineligibility shall be ninety days; or

(vii) refuses without good cause (including the lack of adequate child care for children above the age of five and under the age of twelve) to accept an offer of employment at a wage not less than the higher of either the applicable State or Federal minimum wage, or 80 per centum of the wage that would have governed had the minimum hourly rate established under section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) been applicable to the offer of employment, at a site or plant not then subject to a strike or lockout.

(B) An employee of the Federal Government, or of a State or political subdivision of a State, who engaged in a strike against the Federal Government, a State or political subdivision of a State, and is dismissed from his job because of his participation in the strike shall be considered to have voluntarily quit such job without good cause.

(2) A person who otherwise would be required to comply with the requirements of paragraph (1) of this subsection shall be exempt from such requirement if he or she is (A) currently subject to and complying with a work registration requirement under title IV of the Social Security Act, as amended (42 U.S.C. 602), or the Federal-State unemployment compensation system in which case, failure by such person to comply with any work requirement to which such person is subject that is comparable to a requirement of paragraph (1) shall be the same as failure to comply with that requirement of paragraph (1); (B) a parent or other member of a household with responsibility for the care of a dependent child under age six or of an incapacitated person; [(C) a parent or other caretaker of a child in a household where there is another able-bodied parent who is subject to the requirements of this subsection; (d)] *(C)* a bona fide student enrolled at least half time in any recognized school, training program, or institution of higher education (except that any such person enrolled in an institution of higher education shall be ineligible to participate in the food stamp program unless he or she meets the requirements of subsection (e) of this section); [(E)] *(D)* a regular participant in a drug addiction or alcoholic treatment and rehabilitation program; or [(F) employed a minimum of thirty hours per week or receiving weekly earnings which equal the minimum hourly rate under the Fair Labor Standards Act of 1938, as amended (29 U.S.C. 206(a)(1)), multiplied by thirty hours.] *(E) employed a minimum of one hundered and fifty hours per month or receiving monthly earnings which equal the minimum hourly rate established under section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)), multiplied by one hundred and fifty hours.*

[(3) To the extent that a State employment service is assigned responsibility for administering the provisions of subsection (d) of this section, it shall comply with regulations issued jointly by the Secretary and the Secretary of Labor, which regulations shall be patterned to the maximum extent practicable on the work incen-

tive program requirements set forth in title IV of the Social Security Act (42 U.S.C. 630 *et seq.*) and shall take into account the diversity of the needs of the food stamp work registration population.]

[(4)] *(3)* Notwithstanding any other provision of law, a household shall not participate in the food stamp program at any time that any member of such household, not exempt from the work registration requirements of paragraph (1) of this subsection, is on strike as defined in section 501(2) of the Labor Management Relations Act, 1947, because of a labor dispute (other than a lockout) as defined in section 2(9) of the National Labor Relations Act: *Provided,* That a household shall not lose its eligibility to participate in the food stamp program as a result of one of its members going on strike if the household was eligible for food stamps immediately prior to such strike; however, such household shall not receive an increased allotment as the result of a decrease in the income of the striking member or members of the household: *Provided further,* That such ineligibility shall not apply to any household that does not contain a member on strike, if any of its members refuses to accept employment at a plant or site because of a strike or lockout.

(e) No individual who is a member of a household otherwise eligible to participate in the food stamp program under this section shall be eligible to participate in the food stamp program as a member of that or any other household if he or she (1) is physically and mentally fit and is between the ages of eighteen and sixty, (2) is enrolled at least half time in an institution of higher education, and (3)(A) is not employed a minimum of twenty hours per week or does not participate in a federally financed work study program during the regular school year[, or (B) is not the head of a household (or spouse of such head) containing one or more other persons who are dependents of that individual because he or she supplies more than half of their support, or (C)]*; (B) is not a parent with responsibility for the care of a dependent child under age six; (C) is not receiving aid to families with dependent children under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.); or (D)* is not so enrolled as a result of participation in the work incentive program under title IV of the Social Security Act, as amended (42 U.S.C. 602).

(f) No individual who is a member of a household otherwise eligible to participate in the food stamp program under this section shall be eligible to participate in the food stamp program as a member of that or any other household unless he or she is (1) a resident of the United States and (2) either (A) a citizen or (B) an alien lawfully admitted for permanent residence as an immigrant as defined by sections 101(a)(15) and 101(a)(20) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15) and 8 U.S.C. 1101(a)(20)), excluding, among others, alien visitors, tourists, diplomats, and students who enter the United States temporarily with no intention of abandoning their residence in a foreign country; or (C) an alien who entered the United States prior to June 30, 1948, or such subsequent date as is enacted by law, has continuously maintained his or her residence in the United States since then, and is not ineligible for citizenship, but who is deemed to be lawfully admitted for permanent residence as a result of an exercise of discretion by the

Attorney General pursuant to section 249 of the Immigration and Nationality Act (8 U.S.C. 1259); or (D) an alien who has qualified for conditional entry pursuant to section 203(a)(7) of the Immigration and Nationality Act (8 U.S.C. 1153(a)(7)) because of persecution or fear of persecution on account of race, religion, or political opinion or because of being uprooted by catastrophic natural calamity; or (E) an alien who is lawfully present in the United States as a result of an exercise of discretion by the Attorney General for emergent reasons or reasons deemed strictly in the public interest pursuant to section 212(d)(5) of the Immigration and Nationality Act (8 U.S.C. 1182(d)(5)); or (F) an alien within the United States as to whom the Attorney General has withheld deportation pursuant to section 243 of the Immigration and Nationality Act (8 U.S.C. 1253(h)) because of the judgment of the Attorney General that the alien would otherwise be subject to persecution on account of race, religion, or political opinion. No aliens other than the ones specifically described in clauses (B) through (F) of this subsection shall be eligible to participate in the food stamp program as a member of any household. The income [(less a pro rata share)] and financial resources of the individual rendered ineligible to participate in the food stamp program under this subsection shall be considered in determining the eligibility and the value of the allotment of the household of which such individual is a member.

(g) No individual who receives supplemental security income benefits under title XVI of the Social Security Act, State supplementary payments described in section 1616 of such Act, or payments of the type referred to in section 212(a) of Public Law 93–66, as amended, shall be considered to be a member of a household for any month, if, for such month, such individual resided in a State which provides State supplementary payments (1) of the type described in section 1616(a) of the Social Security Act and section 212(a) of Public Law 93–66, and (2) the level of which has been found by the [Secretary of Health, Education, and Welfare] *Secretary of Health and Human Services* to have been specifically increased so as to include the bonus value of food stamps.

ISSUANCE AND USE OF COUPONS

SEC. 7. (a) Coupons shall be printed under such arrangements and in such denominations as may be determined by the Secretary to be necessary, and shall be issued only to households which have been duly certified as eligible to participate in the food stamp program.

* * * * * * *

(f) Notwithstanding any other provision of this Act, the State agency shall be strictly liable to the Secretary for any financial losses involved in the acceptance, storage, and issuance of coupons, including any losses involving failure of a coupon issuer to comply with the requirements specified in [section 11(e)(21)] *section 11(e)(20),* except that in the case of losses resulting from the issuance and replacement of authorizations for coupons and allotments which are sent through the mail, the State agency shall be liable to the Secretary to the extent prescribed in the regulations promulgated by the Secretary

VALUE OF ALLOTMENT

SEC. 8. (a) The value of the allotment which State agencies shall be authorized to issue to any households certified as eligible to participate in the food stamp program shall be equal to the cost to such households of the thrifty food plan reduced by an amount equal to 30 per centum of the household's income, as determined in accordance with section 5 (d) and (e) of this Act, rounded to the nearest *lower* whole dollar: *Provided,* That for households of one and two persons the minimum allotment shall be $10 per month. [The Secretary shall, six months after the implementation of the elimination of the charge for allotments and annually thereafter, report to Congress the effect on participation and cost of this elimination.]

(b) The value of the allotment provided any eligible household shall not be considered income or resources for any purpose under any Federal, State, or local laws, including, but not limited to, laws relating to taxation, welfare, and public assistance programs, and no participating State of political subdivision thereof shall decrease any assistance otherwise provided an individual or individuals because of the receipt of an allotment under this Act.

(c) The value of the allotment issued to any eligible household for the initial month or other initial period for which an allotment is issued shall have a value which bears the same ratio to the value of the allotment for the full month or other initial period for which the allotment is issued as the number of days (from the date of application) remaining in the month or other initial period for which the allotment is issued bears to the total number of days in the month or other initial period for which the allotment is issued. As used in this subsection, the term "initial month" means (1) the first month for which an allotment is issued to a household, and (2) the first month for which an allotment is issued to a household following any period [of more than thirty days] during which such household was not participating in the food stamp program under this Act after previous participation in such program.

(d) A household against which a penalty has been imposed for an intentional failure to comply with a Federal, State, or local law relating to welfare or a public assistance program may not, for the duration of the penalty, receive an increased allotment as the result of a decrease in the household's income (as determined under sections 5 (d) and (e)) to the extent that the decrease is the result of such penalty.

APPROVAL OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS

SEC. 9. (a) Regulations issued pursuant to this Act shall provide for the submission of applications for approval by retail food stores and wholesale food concerns which desire to be authorized to accept and redeem coupons under the food stamp program and for the approval of those applicants whose participation will effectuate the purposes of the food stamp program. In determining the qualifications of applicants, there shall be considered among such other factors as may be appropriate, the following: (1) the nature and extent of the food business conducted by the applicant; (2) the volume of coupon business which may reasonably be expected to be

conducted by the applicant food store or wholesale food concern; and (3) the business integrity and reputation of the applicant. Approval of an applicant shall be evidenced by the issuance to such applicant of a nontransferable certificate of approval.

* * * * * * *

(f) In those areas in which the Secretary, in consultation with the Inspector General of the Deparment of Agriculture, finds evidence that the operation of house-to-house trade routes damages the program's integrity, the Secretary shall limit the participation of house-to-house trade routes to those routes that are reasonably necessary to provide adequate access to households.

* * * * * * *

ADMINISTRATION

SEC. 11. (a) The State agency of each participating State shall assume responsibility for the certification of applicant households and for the issuance of coupons and the control and accountability thereof. There shall be kept such records as may be necessary to ascertain whether the program is being conducted in compliance with the provisions of this Act and the regulations issued pursuant to this Act. Such records shall be available for inspection and audit at any reasonable time and shall be preserved for such period of time, not less than three years, as may be specified in the regulations issued pursuant to this Act.

* * * * * * *

(d) The State agency (as defined in section 3(n)(1) of this Act) of each State desiring to participate in the food stamp program shall submit for approval a plan of operation specifying the manner in which such program will be conducted within the State in every political subdivision. *The Secretary may not, as a part of the approval process for a plan of operation, require a State to submit for prior approval by the Secretary the State agency instructions to staff, interpretations of existing policy, State agency methods of administration, forms used by the State agency, or any materials, documents, memoranda, bulletins, or other matter, unless the State determines that the materials, documents, memoranda, bulletins, or other matter alter or amend the State plan of operation or conflict with the rights and levels of benefits to which a household is entitled.* In the case of all or part of an Indian reservation, the State agency as defined in section 3(n)(1) of this Act shall be responsible for conducting such program on such reservation unless the Secretary determines that the State agency (as defined in section 3(n)(1) of this Act) is failing, subsequent to the enactment of this Act, properly to administer such program on such reservation in accordance with the purposes of this Act and further determines that the State agency as defined in section 3(n)(2) of this act is capable of effectively and efficiently conducting such program, in light of the distance of the reservation from State agency-operated certification and issuance centers, the previous experience of such tribal organization in the operation of programs authorized under the Indian Self-Determination Act (25 U.S.C. 450) and similar acts of Congress,

the tribal organization's management and fiscal capabilities, and the adequacy of measures taken by the tribal organization to ensure that there shall be no discrimination in the operation of the program on the basis of race, color, sex, or national origin, in which event such State agency shall be responsible for conducting such program and submitting for approval a plan of operation specifying the manner in which such program will be conducted. The Secretary, upon the request of a tribal organization, shall provide the designees of such organization with appropriate training and technical assistance to enable them to qualify as expeditiously as possible as a State agency pursuant to section 3(n)(2) of this Act. A State agency, as defined in section 3(n)(1) of this Act, before it submits its plan of operation to the Secretary for the administration of the food stamp program on all or part of an Indian reservation, shall consult in good faith with the tribal organization about that portion of the State's plan of operation pertaining to the implementation of the program for members of the tribe, and shall implement the program in a manner that is responsive to the needs of the Indians on the reservation as determined by ongoing consultation with the tribal organization.

(e) The State plan of operation required under subsection (d) of this section shall provide, among such other provisions as may be required by regulation—

(1) that the State agency shall [(A)] not conduct food stamp outreach activities with funds provided under this Act; [and (B) use appropriate bilingual personnel and printed material in the administration of the program in those portions of political subdivisions in the State in which a substantial number of members of low-income households speak a language other than English;]

(2) that each household which contacts a food stamp office in person during office hours to make what may reasonably be interpreted as an oral or written request for food stamp assistance shall receive and shall be permitted to file, on the same day that such contact is first made, a simplified, uniform national application form for participation in the food stamp program designed by the Secretary, unless the Secretary approves a deviation from that form by a particular State agency because of the use by that agency of a dual public assistance food stamp application form pursuant to subsection (i) of this section, the requirements of an agency's computer system, or other exigencies as determined by the Secretary. Each application form shall contain a description in understandable terms in prominent and boldface lettering of the appropriate civil and criminal provisions dealing with violations of this Act, including the penalties therefor, by members of an eligible household. Each application shall also contain in understandable terms and in prominent and boldface lettering a statement that the information provided by the applicant in connection with the application for a coupon allotment will be subject to verification by Federal, State, and local officials to determine if such information is factual and that if any material part of such information is incorrect, food stamps may be denied to the applicant, and that the applicant may be subjected to

criminal prosecution for knowingly providing incorrect information. The State agency shall comply with the standards established by the Secretary for [points and hours of certification, and for] telephone contact by, mail delivery of forms to and mail return of forms by, and subsequent home or telephone interview with, the elderly, physically or mentally handicapped, and persons otherwise unable, solely because of transportation difficulties and similar hardships, to appear in person at a certification office or through a representative pursuant to paragraph (7) of this subsection, so that such persons may have an adequate opportunity to be certified properly;

(3) that the State agency shall thereafter promptly determine the eiligibility of each applicant household by way of verification only of income other than that determined to be excluded by section 5(d) of this Act (in part through the use of the information, if any, obtained under [subsections (h) and (i) of section 16] *section 16(e)* of this Act) and such other eligibility factors as the Secretary determines to be necessary to implement sections 5 and 6 of this Act, although the State agency may verify prior to certification, whether questionable or not, the size of any applicant household and any factors of eligibility involving households that fall within the State agency's error-prone household profiles as developed by the State agency from the [quality control program] *error rate reduction system* conducted under section 16 of this Act and as approved by the Secretary, so as to complete certification of and provide an allotment retroactive to the period of application to any eligible houehold not later than thirty days following its filing of an application;

(4) that the State agency shall insure that each participating household receive a notice of expiration of its certification prior to the start of the last month of its certification period advising the household that it must submit a new application in order to renew its eligibility for a new certification period and, further, that each such household which seeks to be certified another time or more times thereafter by filing an application for such recertification no later than fifteen days prior to the day upon which its existing certification period expires shall, if found to be still eligible, receive its allotment no later than one month after the receipt of the last allotment issued to it pursuant to its prior certification, but if such household is found to be ineligible or to be eligible for a smaller allotment during the new certification period it shall not continue to participate and receive benefits on the basis authorized for the preceding certification period even if it makes a timely request for a fair hearing pursuant to paragraph (10) of this subsection: *Provided,* That the timeliness standards for submitting the notice of expiration and filing an application for recertification may be modified by the Secretary in light of sections 5(f)(2) and 6(c) of this Act if administratively necessary;

(5) the specific standards to be used in determining the eligibility of applicant households which shall be in accordance with sections 5 and 6 of this Act and shall include no additional requirements imposed by the State agency;

(6) that (A) the State agency shall undertake the certification of applicant households in accordance with the general procedures prescribed by the Secretary in the regulations issued pursuant to this Act; (B) the State agency personnel utilized in undertaking such certification shall be employed in accordance with the current standards for a Merit System of Personnel Administration or any standards later prescribed by the United States Civil Service Commission pursuant to section 208 of the Intergovernmental Personnel Act of 1970 modifying or superseding such standards relating to the establishment and maintenance of personnel standards on a merit basis; and (C) the State agency shall undertake to provide a continuing, comprehensive program of training for all personnel undertaking such certification;

(7) that [any] *an* applicant household may be represented in the certification process and that [any] *an* eligible household may be represented in coupon issuance or food purchase by a person other than a member of the household so long as that person has been clearly designated as the representative of that household for that purpose, by the head of the household or the spouse of the head, and, where the certification process is concerned, the representative is an adult who is sufficiently aware of relevant household circumstances, *except that the Secretary may restrict the number of households which may be represented by an individual and otherwise establish criteria and verification standards for representation under this paragraph*;

(8) safeguards which limit the use or disclosure of information obtained from applicant households to persons directly connected with the administration or enforcement of the provisions of this Act [or the regulations issued pursuant to this Act], *regulations issued pursuant to this Act, Federal assistance programs, or federally assisted State programs,* except that (A) such safeguards shall not prevent the use or disclosure of such information to the Comptroller General of the United States for audit and examination authorized by any other provision of law, and (B) notwithstanding any other provision of law, all information obtained under this Act from an applicant household shall be made available, upon request, to local, State or Federal law enforcement officials for the purpose of investigating an alleged violation of this Act or any regulation issued under this Act;

[(9) that households in immediate need because of no income as defined in sections 5 (d) and (e) of this Act receive coupons on an expedited basis;]

(9) that the State agency shall—

(A) provide coupons no later than five days after the date of application to any household which—

(i)(I) has gross income that is less than $85 per month; or

(II) is a destitute migrant or a seasonal farmworker household; and

(ii) has liquid resources that do not exceed $100;

except that a State agency shall not be required to provide coupons to a household within five days after the date of application more than once in a six-month period, other than in the case of a destitute migrant or a seasonal farmworker household; and

(B) to the extent practicable, verify the income and resources of the household prior to issuance of coupons to the household;

(10) for the granting of a fair hearing and a prompt determination thereafter to any household aggrieved by the action of the State agency under any provision of its plan of operation as it affects the participation of such household in the food stamp program or by a claim against the household for an overissuance: *Provided,* That any household which timely requests such a fair hearing after receiving individual notice of agency action reducing or terminating its benefits within the household's certification period shall continue to participate and receive benefits on the basis authorized immediately prior to the notice of adverse action until such time as the fair hearing is completed and an adverse decision rendered or until such time as the household's certification period terminates, whichever occurs earlier, *except that in any case in which the State agency receives from the household a written statement containing information that clearly requires a reduction or termination of the household's benefits, the State agency may act immediately to reduce or terminate the household's benefits and may provide notice of its action to the household as late as the date on which the action becomes effective;*

(11) upon receipt of a request from a household, for the prompt restoration in the form of coupons to a household of any allotment or portion thereof which has been wrongfully denied or terminated, except that allotments shall not be restored for any period of time more than one year prior to the date the State agency receives a request for such restoration from a household or the State agency is notified or otherwise discovers that a loss to a household has occurred;

(12) for the submission of such reports and other information as from time to time may be required by the Secretary;

[(13) for compliance with standards set by the Secretary with respect to points and hours of coupon issuance;]

[(14)] *(13)* for indicators of expected performance in the administration of the program;

[(15)] *(14)* that the State agency shall prominently display in all food stamp and public assistance offices posters prepared or obtained by the Secretary describing the information contained in subparagraphs (A) through (D) of this paragraph and shall make available in such offices for home use pamphlets prepared or obtained by the Secretary listing (A) foods that contain substantial amounts of recommended daily allowances of vitamins, minerals, and protein for children and adults; (B) menus that combine such foods into meals; (C) details on eligibility for other programs administered by the Secretary that provide nutrition benefits; and (D) general information on the relationship between health and diet;

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[(16)] *(15)* that the State agency shall specify a plan of operation for providing food stamps for households that are victims of a disaster; that such plan shall include, but not be limited to, procedures for informing the public about the disaster program and how to apply for its benefits, coordination with Federal and private disaster relief agencies and local government officials, application procedures to reduce hardship and inconvenience and deter fraud, and instruction of caseworkers in procedures for implementing and operating the disaster program;

[(17)] *(16)* that the State agency shall require each household certified as eligible to participate by methods other than the out-of-office methods specified in the last sentence of paragraph (2) of this subsection in those project areas or parts of project areas in which the Secretary, in consultation with the Department's Inspector General, finds that it would be useful to protect the program's integrity, to present a photographic identification card when using its authorization card in order to receive its coupons;

[(18)] *(17)* notwithstanding paragraph (8) of this subsection, for the immediate reporting to the Immigration and Naturalization Service by the State agency of a determination by personnel responsible for the certification or recertification of households that any member of a household is ineligible to receive food stamps because that member is present in the United States in violation of the Immigration and Nationality Act;

[(19)] *(18)* at the option of the State agency, for the establishment and operation of an automatic data processing and information retrieval system that meets such conditions as the Secretary may prescribe and that is designed to provide efficient and effective administration of the food stamp progam;

[(20)] *(19)* that information available from the Social Security Administration under the provisions of section 6103(i)(7) of the Internal Revenue Code of 1954, and information available from agencies administering State unemployment compensation laws under the provisions of section 303(d) of the Social Security Act, shall be requested and utilized by the State agency (described in section 3(n)(1) of this Act) to the extent permitted under the provisions of such sections, except that the State agency shall not be required to request such information from the Social Security Administration if such information is available from the agency administering the State unemployment compensation laws; [and]

[(21)] *(20)* that in project areas or parts thereof where authorization cards are used, and eligible households are required to present photographic identification cards in order to receive their coupons, the State agency shall include, in any agreement or contract with a coupon issuer, a provision that (A) the issuer shall (i) require the presenter to furnish a photographic identification card at the time the authorization card is presented, and (ii) record on the authorization card the identification number shown on the photographic identification card; and (B) if the State agency determines that the authorization

card has been stolen or otherwise was not received by a household certified as eligible, the issuer shall be liable to the State agency for the face value of any coupons issued in the transaction in which such card is used and the issuer fails to comply with the requirements of clause (A) of this paragraph[.];

(21) at the option of the State agency, for the use of appropriate billingual personnel and printed material in the administration of the program;

(22) that the State agency shall establish a system and take action on a periodic basis to verify and otherwise assure that an individual does not receive coupons in more than one jurisdiction within the state;

(23) at the option of the State, for procedures necessary to obtain payment of uncollected overissuance of coupons from unemployment benefits pursuant to section 13(c); and

(24) at the option of the State agency, for procedures necessary to obtain payment of uncollected overissuances of coupons from Federal tax refunds pursuant to section 13(d).

* * * * * * *

(i) Notwithstanding any other provision of law, the Secretary and the [Secretary of Health, Education, and Welfare] *Secretary of Health and Human Services,* shall develop a system by which (1) a single interview shall be conducted to determine eligibility for the food stamp program and the aid to families with dependent children program under part A of title IV of the Social Security Act; (2) households in which all members are recipients of supplemental security income shall be permitted to apply for participation in the food stamp program by executing a simple application at the social security office and be certified for eligibility utilizing information contained in files of the Social Security Administration; (3) households in which all members are included in a federally aided public assistance or State or local general assistance grant shall have their application for participation in the food stamp program contained in the public assistance or general assistance application form; and (4) new applicants, as well as households which have recently lost or been denied eligibility for public assistance or general assistance, shall be certified for participation in the food stamp program based on information in the public assistance or general assistance case file to the extent that reasonably verified information is available in such case file. *Each State agency shall implement clauses (1) and (2) and may implement clause (3) or (4), or both such clauses.*

(j) The Secretary, in conjunction with the [Secretary of Health, Education, and Welfare] *Secretary of Health and Human Services,* is authorized to prescribe regulations permitting applicants for an recipients of social security benefits to apply for food stamps at social security offices and be certified for food stamp eligibility in such offices in order that the application and certification for food stamp assistance may be accomplished as efficiently and conveniently as possible.

* * * * * * *

(n) The Secretary shall require State agencies to conduct verification and implement other measures where necessary, but no less often than annually, to assure that an individual does not receive both coupons and benefits or payments referred to in section 6(g) or both coupons and assistance provided in lieu of coupons under section 17(b)(1)

(o) The Secretary, in consultation with the Inspector General of the Department of Agriculture, may require a State agency, the Inspector General, or both, to request and utilize information available under section 6103(l)(9) of the Internal Revenue Code of 1954 pertaining to the interest and dividend income of the households in any State or area if the Secretary determines that such action would aid in protecting the integrity of the food stamp program in such State or area.

(p) The Secretary may require a State agency to implement new or modified procedures for the issuance of coupons if such procedures are consistent with this Act and the Secretary finds that such procedures would improve program intergrity and be cost-effective.

CIVIL MONEY PENALTIES AND DISQUALIFICATION OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS

SEC. 12. *(a)* Any approved retail food store or wholesale food concern may be disqualified for a specified period of time from further participation in the food stamp program, or subjected to a civil money penalty of up to [$5,000] *$10,000* for each violation if the Secretary determines that its disqualification would cause hardship to food stamp households, on a finding, made as specified in the regulations, that such store or concern has violated any of the provisions of this Act or the regulations issued pursuant to this Act. [Such disqualification shall be for such period of time as may be determined in accordance with regulations issued pursuant to this Act.]

(b) Disqualification under subsection (a) shall be—

(1) for a reasonable period of time, of no less than six months nor more than five years, upon the first occasion of disqualification;

(2) for a reasonable period of time, of no less than twelve months nor more than ten years, upon the second occasion of disqualification; and

(3) permanent upon the third occasion of disqualification or the first occasion of disqualification based on the purchase of coupons or trafficking in coupons or authorization cards by a retail food store or wholesale food concerns.

(c) The action of disqualification or the imposition of a civil money penalty shall be subject to review as provided in section 14 of this Act.

(d) As a condition of authorization to accept and redeem coupons, the Secretary may require a retail food store or wholesale food concern which has been disqualified or subjected to a civil penalty pursuant to subsection (a) to furnish a bond to cover the value of coupons which such store or concern may in the future accept and redeem in violation of this Act. The Secretary shall, by regulation, prescribe the amount, terms, and conditions of such bond. If the

Secretary finds that such store or concern has accepted and redeemed coupons in violation of this Act after furnishing such bond, such store or concern shall forfeit to the Secretary an amount of such bond which is equal to the value of coupons accepted and redeemed by such store or concern in violation of this Act. Such store or concern may obtain a hearing on such forfeiture pursuant to section 14.

COLLECTION AND DISPOSITION OF CLAIMS

SEC. 13. (a) The Secretary shall have the power to determine the amount of and settle and adjust any claim and to compromise or deny all or part of any such claim or claims arising under the provisions of this Act or the regulations issued pursuant to the Act, including, but not limited to, claims arising from fraudulent and nonfraudulent overissuances to recipients, including the power to waive claims if the Secretary determines that to do so would serve the purposes of this Act. Such powers with respect to claims against recipients may be delegated by the Secretary to State agencies. The Secretary shall have the power to reduce amounts otherwise due to a State agency under section 16 of this Act to collect unpaid claims assessed against the State agency if the State agency has declined or exhausted its appeal rights under section 14 of this Act.

(b)(1)(*A*) In the case of an ineligibility determination under section 6(b) of this Act, the household of which such ineligible individual is a member is required to agree to a reduction in the allotment of the household of which such individual is a member, or payment in cash, in accordance with a schedule determined by the Secretary, that will be sufficient to reimburse the Federal Government for the value of any overissuance of coupons resulting from the activity that was the basis of the ineligibility determination. If a household refuses to make an election *within thirty days of a demand for an election,* or elects to make a payment in cash under the provisions of the preceding sentence and fails to do so, the household shall be subject to an allotment reduction.

(B) State agencies may collect any claim against a household arising from the overissuance of coupons based on an ineligibility determination under section 6(b), other than claims collected pursuant to subparagraph (A), by using other means of collection.

(2)(*A*) State agencies shall collect any claim against a household arising from the overissuance of coupons, other than claims the collection of which is provided for in paragraph (1) of this subsection and claims arising from an error of the State agency, by reducing the monthly allotments of the household. These collections shall be limited to 10 per centum of the monthly allotment (or $10 per month, whenever that would result in a faster collection rate).

(B) State agencies may collect any claim against a household arising from the overissuance of coupons, other than claims collected pursuant to paragraph (1) or subparagraph (A), by using other means of collection.

(c)(1) A State agency may determine on a periodic basis, from information supplied pursuant to section 508 of the Unemployment Compensation Amendments of 1976 (29 U.S.C. 49b and 42 U.S.C.

603a), whether an individual receiving compensation under the State's unemployment compensation law (including amounts payable pursuant to an agreement under a Federal unemployment compensation law) has received an uncollected overissuance.

(2) A State agency may recover an uncollected overissuance—

(A) by entering into an agreement with an individual described in paragraph (1) under which specified amounts will be withheld from compensation otherwise payable to the individual and furnishing a copy of the agreement to the State agency administering the unemployment compensation law, or

(B) in the absence of an agreement, by obtaining a writ, order, summons, or other similar process in the nature of garnishment from a court of competent jurisdiction to require the withholding of amounts from the compensation.

(3) As used in this subsection, the term 'uncollected overissuance' means the amount of an overissuance of coupons, as determined under subsection (b)(1), which has not been recovered pursuant to subsection (b)(1).

(d)(1) A State agency may inform the Secretary of the Treasury of the identity of an individual who has received an uncollected overissuance and the amount of the uncollected overissuance.

(2) Upon receiving notice from a State agency pursuant to paragraph (1), the Secretary of the Treasury shall determine whether any amounts, as refunds of Federal taxes paid, are payable to the named individual (regardless of whether the individual filed a tax return as a married or unmarried individual). If the Secretary of the Treasury finds that an amount is payable, the Secretary of the Treasury shall withhold from the refunds an amount equal to the amount of the uncollected overissuance, and pay the amount to the State agency (together with notice of the individual's home address).

(3) The Secretary of the Treasury shall issue regulations, approved by the Secretary, which prescribe—

(A) the time at which a State agency must submit notice of an uncollected overissuance;

(B) the manner in which the notice must be submitted;

(C) the necessary information which must be contained in or accompany the notice; and

(D) the amount of the fee that a State must pay to reimburse the Secretary of the Treasury for the full cost of applying the offset procedure.

(4) The Secretary of the Treasury shall advise the Secretary, at least annually, of—

(A) the State agencies which have furnished notices of uncollected overissuances under this subsection;

(B) the number of cases in each State with respect to which the notices have been furnished under this subsection;

(C) the amount of uncollected overissuances sought to be collected under this subsection by each State; and

(D) the amount of the collections actually made under this subsection in the case of each State agency.

(5) As used in this subsection, the term 'uncollected overissuance' means the amount of an overissuance of coupons, as determined under subsection (b)(1), which has not been collected pursuant to

subsection (b)(1) or (c), within three months of the determination of the overissuance.

(6) An uncollected overissuance shall be subject to the offset procedure described in this subsection if the amount of the uncollected overissuance in the current or previous taxable years and any other amounts owed to the State agency under similar provisions of Federal law equals $100 or more.

ADMINISTRATIVE AND JUDICIAL REVIEW

SEC. 14. (a) Whenever an application of a retail food store or wholesale food concern to participate in the food stamp program is denied pursuant to section 9 of this Act, *or a retail food store or wholesale food concern forfeits a bond under section 12(d) of this Act,* or a retail food store or wholesale food concern is disqualified or subjected to a civil money penalty under the provisions of section 12 of this Act, or all or part of any claim of a retail food store or wholesale food concern is denied under the provisions of section 13 of this Act, or a claim against a State agency is stated pursuant to the provisions of section 13 of this Act, notice of such administrative action shall be issued to the retail food store, wholesale food concern, or State agency involved. Such notice shall be delivered by certified mail or personal service. If such store, concern, or State agency is aggrieved by such action, it may, in accordance with regulations promulgated under this Act, within ten days of the date of delivery of such notice, file a written request for an opportunity to submit information in support of its position to such person or persons as the regulations may designate. If such a request is not made or if such store, concern, or State agency fails to submit information in support of its position after filing a request, the administrative determination shall be final. If such request is mde by such store, concern, or State agency, such information as may be submitted by the store, concern, or State agency, as well as such other information as may be available, shall be reviewed by the person or persons designated by the Secretary, who shall, subject to the right of judicial review hereinafter provided, make a determination which shall be final and which shall take effect thirty days after the date of the delivery or service of such final notice of determination. If the store, concern, or State agency feels aggrieved by such final determination, it may obtain judicial review thereof by filing a complaint against the United States in the United States court for the district in which it resides or is engaged in business, or, in the case of a retail food store or wholesale food concern, in any court of record of the State having competent jurisdiction, within thirty days after the date of delivery or service of the final notice of determination upon it, requesting the court to set aside such determination. The copy of the summons and complaint required to be delivered to the official or agency whose order is being attacked shall be sent to the Secretary or such person or persons as the Secretary may designate to receive service of process. The suit in the United States district court or State court shall be a trial de novo by the court in which the court shall determine the validity of the questioned administrative action in issue. If the court determines that such administrative action is invalid, it shall

enter such judgment or order as it determines is in accordance with the law and the evidence. During the pendency of such judicial review, or any appeal therefrom the administrative action under review shall be and remain in full force and effect, unless an application to the court on not less than ten days' notice, and after hearing thereon and a showing of irreparable injury, the court temporarily stays such administrative action pending disposition of such trial or appeal.

(b) In any judicial action arising under this Act, any food stamp allotments found to have been wrongfully withheld shall be restored only for periods of not more than one year prior to the date of the commencement of such action, or in the case of an action seeking review of a final State agency determination, not more than one year prior to the date of the filing of a request with the State for the restoration of such allotments or, in either case, not more than one year prior to the date the State agency is notified or otherwise discovers the possible loss to a household.

* * * * * * *

ADMINISTRATIVE COST-SHARING AND QUALITY CONTROL

SEC. 16. (a) The Secretary is authorized to pay to each State agency an amount equal to 50 per centum of all administrative costs involved in each State agency's operation of the food stamp program, which costs shall include, but not be limited to, the cost of (1) the certification of applicant households, (2) the acceptance, storage, protection, control, and accounting of coupons after their delivery to receiving points within the State, (3) the issuance of coupons to all eligible households, and (4) fair hearings: *Provided,* That the Secretary is authorized to pay each State agency an amount not less than 75 per centum of the costs of State food stamp program investigations and prosecutions, and is further authorized at the Secretary's discretion to pay any State agency administering the food stamp program on all or part of an Indian reservation under section 11(d) of this Act such amounts for administrative costs as the Secretary determines to be necessary for effective operation of the food stamp program, as well as to permit each State to retain 50 per centum of the value of all funds or allotments recovered or collected pursuant to [section 13(b)(1) of this Act] *subsections (b)(1), (c), and (d) of section 13,* and 25 per centum of the value of all funds or allotments recovered or collected pursuant to section 13(b)(2) of this Act, *except the value of funds or allotments recovered or collected pursuant to section 13(b)(2) which arise from an error of a State agency.* The officials responsible for making determinations of ineligibiity under this Act shall not receive or benefit from revenues retained by the State under the provisions of this subsection.

(b) The Secretary shall (1) establish standards for the efficient and effective administration of the food stamp program by the States, and (2) instruct each State to submit, at regular intervals, reports which shall specify the specific administrative actions proposed to be taken and implemented in order to meet the efficiency and effectiveness standards established pursuant to clause (1) of this subsection.

[(c) The Secretary is authorized to adjust a State agency's federally funded share of administrative costs pursuant to subsection (a) of this section, other than the costs already shared in excess of 50 per centum as described in the exception clause of subsection (a) of this section, by increasing such share to (1) effective October 1, 1978, 60 per centum of all such administrative costs in the case of a State agency whose (A) semiannual cumulative allotment error rates with respect to eligibility, overissuance, and underissuance as calculated in the quality program undertaken pursuant to subsection (d)(1) of the section are less than five per centum and (B) whose rate of invalid decisions in denying eligibiliy as calculated in the quality control program conducted under subsection (d)(1) of this section is less than a nationwide percentage that the Secretary determines to be reasonable; (2) effective October 1, 1980, 65 per centum of all such administrative costs in the case of a State agency meeting the standards contained in paragraph (1) of this subsection; (3) effective October 1, 1980, 60 per centum of all such administrative costs in the case of a State agency whose cumulative allotment error rate as determined under paragraph (1)(A) of this subsection is greater than 5 per centum but less than 8 per centum or the national standard payment error rate for the base period, whichever is lower, and which also meets the standard contained in paragraph (1)(B) of this subsection; and (4) effective October 1, 1980, 55 per centum of all such administrative costs in the case of a State agency whose annual rate of error reduction is equal to or exceeds 25 per centum, and, effective October 1, 1981, which also meets the standard contained in paragraph (1)(B) of this subsection. No State agency shall receive more than one of the increased federally funded shares of administrative costs set forth in paragraphs (1) through (4) of this subsection.]

(c) The Secretary is authorized to adjust a State agency's federally funded share of administrative costs pursuant to subsection (a), other than the costs already shared in excess of 50 per centum under the proviso in the first sentence of subsection (a) or under subsection (g), by increasing such share to 60 per centum of all such administrative costs in the case of a State agency which has—

(1) a payment error rate as defined in subsection (d)(1) which, when added to the total percentage of all allotments underissued to eligible houscholds by the State agency, is less than 5 per centum; and

(2) a rate of invalid decisions in denying eligibility which is less than a nationwide percentage which the Secretary determines to be reasonable.

[(d) Effective October 1, 1981, and annually thereafter, each State not receiving an increased share of administrative costs pursuant to subsection (c)(2) of this section shall be required to develop and submit to the Secretary for approval, as part of the plan of operation required to be submitted under section 11(d) of this Act, a quality control plan for a State which shall specify the actions such State proposes to take in order to reduce—

[(1) the incidence of error rates in and the value of—

[(A) food stamp allotments for households which fail to meet basic program eligibility requirements;

[(B) food stamp allotments overissued to eligible households; and

[(C) food stamp allotments underissued to eligible households; and

[(2) the incidence of invalid decisions in certifying or denying eligibility.

(d)(1) As used in this subsection, the term "payment error rate" means the total percentage of all allotments issued in a fiscal year by a State agency which are either—

(A) issued to households which fail to meet basic program eligibility requirements; or

(B) overissued to eligible households.

(2)(A) The Secretary shall institute an error rate reduction program under which, if a State agency's payment error rate exceeds—

(i) 9 per centum for fiscal year 1983,

(ii) 7 per centum for fiscal year 1984, or

(iii) 5 per centum for fiscal year 1985 or any fiscal year thereafter,

then the Secretary shall, other than for good cause shown or as provided in subparagraph (B), reduce the State agency's federally funded share of administrative costs provided pursuant to subsection (a), other than the costs already shared in excess of 50 per centum under the proviso in the first sentence of subsection (a) or under subsection (g), by the amounts required under paragraph (3).

(B) The Secretary may not reduce a State agency's federally funded share of administrative costs pursuant to subparagraph (A)—

(i) on the basis of the State agency's payment error rate for fiscal year 1983, if such payment error rate represents a reduction from the State agency's payment error rate for the period beginning on October 1, 1980, and ending on March 31, 1981, of at least 33.3 per centum of the difference between the State agency's payment error rate for such period and 5 per centum; or

(ii) on the basis of the State agency's payment error rate for fiscal year 1984, if such payment error rate represents a reduction from the State agency's payment error rate for the period beginning on October 1, 1980, and ending on March 31, 1981, of at least 66.7 per centum of the difference between the State agency's payment error rate for such period and 5 per centum.

(3)(A) The Secretary shall reduce a State agency's federally funded share of administrative costs, except as provided in subparagraph (B), by—

(i) 5 per centum for each per centum or fraction thereof that the State agency's payment error rate exceeds the maximum payment error rate allowed for the fiscal year under paragraph (2); and

(ii) if the State agency's payment error rate exceeds the maximum payment error rate allowed for the fiscal year under paragraph (2) by more than 3 per centum, an additional 5 per centum (for a total of 10 per centum) for each per centum or fraction thereof that the State agency's payment error rate exceeds the maximum payment error rate allowed for the fiscal year under paragraph (2) by more than 3 per centum.

(B) The Secretary may not reduce a State agency's federally funded share of administrative costs for a fiscal year by an amount that exceeds the product of multiplying—

(i) the per centum by which the State agency's payment error rate exceeds the maximum payment error rate allowed for the fiscal year under paragraph (2); by

(ii) the total dollar value of all coupons issued by the State agency during the fiscal year.

(4) The Secretary may require a State agency to report any factors which the Secretary considers necessary to determine the appropriate level of a State agency's federally funded share of administrative costs under this subsection. If a State agency fails to meet the reporting requirements established by the Secretary, the Secretary shall base the determination on all pertinent information available to the Secretary.

(5) If the Secretary reduces a States agency's federally funded share of administrative costs under this subsection, the State may seek administrative and judicial review of the action pursuant to section 14.

[(e) As used in this section "quality control" means monitoring and reducing the rate of errors in determining basic eligibility and benefit levels.]

[(f)](*e*) The Secretary and State agencies shall (1) require, as a condition of eligibility for participation in the food stamp program, that each household member furnish to the State agency their social security account number (or numbers, if they have more than one number), and (2) use such account numbers in the administration of the food stamp program. The Secretary and State agencies shall have access to the information regarding individual food stamp program applicants and participants who receive benefits under title XVI of the Social Security Act that has been provided to the [Secretary of Health, Education, and Welfare], *Secretary of Health and Human Services* but only to the extent that the Secretary and the [Secretary of Health, Education, and Welfare] *Secretary of Health and Human Services* determine necessary for purposes of determining or auditing a household's eligibility to receive assistance or the amount thereof under the food stamp program, or verifying information related thereto.

[(g)(1) The Secretary shall institute an error liability program under which each State agency shall, other than for good cause as determined by the Secretary, pay to the Secretary or have withheld by the Secretary as described in paragraph (4) of this subsection, the amount by which the dollar value equivalent of the State agency's payment error rate, as determined by the Secretary, for each six-month period, exceeds the dollar value equivalent of either—

[(A) the State agency payment error rate for the base period less a national annual rate of error reduction, as determined by the Secretary, taking into account program circumstances and rates of error reduction in comparable Federal or federally assisted public assistance programs, or

[(B) the national standard payment error rate for the base period, whichever is higher.

[(2) As used in this subsection, (A) "base period" means, for fiscal year 1981, the six months beginning October 1, 1979, and

ending March 31, 1980 and, for each fiscal year thereafter, the six months beginning October 1 and ending March 30 of the prior fiscal year; (B) "payment error rate" means the percentage of all food stamp allotments which are issued in a given period by a State agency to households that fail to meet the eligibility requirements of sections 5 and 6 of this Act, are overissued to eligible households, and are underissued to eligible households; (C) "national standard payment error rate" means the weighted mean payment error rate for all State agencies; and (D) "dollar value equivalent" means the value of allotments determined by multiplying a given error rate by the dollar value of all the allotments issued by a State agency during the particular period in question.

[(3) The Secretary shall conduct a study to determine whether it is feasible to include in the calculation of each State agency's payment error rate, and in the calculation of the national standard payment error rate, invalid decisions by each State agency denying eligibility to households that are in fact eligible. If the Secretary determines that such a change in the method of calculation is feasible, the Secretary shall implement changes in the method of calculating payment error rates for the purposes described in this section.

[(4) If the Secretary makes a claim against a State for payment under paragraph (1) of this subsection, that State may seek administrative and judicial review of such claim under the procedures set forth in section 14 of this Act. If such claim is ultimately determined to be valid or is not contested by the State, it shall be collected by the Secretary and may be collected through State payment, through withholding amounts otherwise payable to the State agency under subsection (a) of this section, or through other mechanisms authorized by the Federal Claims Collection Act of 1966.]

[(h)] *(f)* Notwithstanding any other provision of law, counsel may be employed and counsel fees, court costs, bail, and other expenses incidental to the defense of officers and employees of the Department of Agriculture may be paid in judicial or administrative proceedings to which such officers and employees have been made parties and that arise directly out of their performance of duties under this Act[; and]*.*

[(i)] *(g)* Effective October 1, 1980, the Secretary is authorized to pay to each State agency an amount equal to 75 per centum of the costs incurred by the State agency in the planning, design, development, or installation of automatic data processing and information retrieval systems that the Secretary determines (1) will assist in meeting the requirements of this Act, (2) meet such conditions as the Secretary prescribes, (3) are likely to provide more efficient and effective administration of the food stamp program, and (4) will be compatible with other such systems used in the administration of State plans under the Aid to Families with Dependent Children Program under title IV of the Social Security Act: *Provided,* That there shall be no such payments to the extent that a State agency is reimbursed for such costs under any other Federal program or uses such systems for purposes not connected with the food stamp program: *Provided further,* That any costs matched under this subsection shall be excluded in determining the State agency's administrative costs under any other subsection of this section.

RESEARCH, DEMONSTRATION, AND EVALUATIONS

SEC. 17. (a) The Secretary may, by way of making contracts with or grants to public or private organizations or agencies, undertake research that will help improve the administration and effectiveness of the food stamp program in delivering nutrition-related benefits.

* * * * * * *

[(d) Notwithstanding any other provision of law, the Secretary shall, in consultation with the Secretary of the Treasury, conduct a study, through the use of Federal income tax data, of the feasibility, alternative methods of implemenation, and the effects of a program to recover food stamp benefits from members of eligible households in which the adjusted gross income of members of such households for a calendar year (as defined by the Internal Revenue Code of 1954) may exceed twice the income poverty guidelines set forth in section 5(c) of this Act. Such study shall be conducted in rural and urban areas only on a voluntary basis by food stamp recipients. The Secretary shall, no later than twelve months and eighteen months from the date of enactment of this Act, report the results of the study to the Committees on Agriculture and Ways and Means of the House of Representatives and to the Committees on Agriculture, Nutrition, and Forestry and Finance of the Senate, together with such recommendations as the Secretary deems appropriate.

[(e) The Director of the Congressional Budget Office, in consultation with the Secretary, the Secretary of Commerce, and the Secretary of Labor, shall review the Consumer Price Index and the various alternative consumer price or cost-of-living indices, such as the Personal Consumption Expenditure (PCE) Deflator, to examine the limitations of each statistical alternative and the factors causing the various indices to differ with each other and to reflect inconsistencies with their own prior year indices in measuring the cost-of-living or the rate of inflation. The study shall seek to determine whether the Consumer Price Index is the most accurate indexation base for the food stamp program, or whether an alternative or combination of alternatives may be the more accurate indexation base to reflect consumer prices or changes in the costs of living. The Director of the Congressional Budget Office shall report the results of the study to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, together with such recommendations as the Director deems appropriate, by February 1, 1981.]

[(f)] *(d)* The Secretary may conduct no more than two Statewide pilot projects (upon the request of a State) and no more than fourteen pilot projects in political subdivisions of States (upon the request of any such political subdivision) in which households that include one or more recipients of aid to families with dependent children under part A of title IV of the Social Security Act, of supplemental security income under title XVI of the Social Security Act, or of medical assistance under title XIX of the Social Security Act, and whose income does not exceed the applicable income standard of eligibility described in section 5(c) of this Act shall be deemed to

satisfy the application requirements prescribed under section 5(a) of this Act and the income and resource requirements prescribed under subsections (d) through (g) of section 5 of this Act. For any pilot project carried out under this subsection, allotments provided pursuant to section 8(a) of this Act shall be based upon household size and (1) benefits paid to such household under part A of title IV or title XVI of the Social Security Act, or (2) income as determined for eligibility under title XIX of the Social Security Act or at the option of the political subdivision or the State, the standard of need for such size household under such programs, except that the Secretary shall adjust the value of such allotments as may be necessary to ensure that the average allotment by household size for households participating in such pilot project and receiving such aid to families with dependent children, such supplemental security income, or such medical assistance, as the case may be, is not less than the average allotment which would have been provided under this Act but for the operation of this subsection, for each category of households, respectively, in such pilot project area, for any period during which such pilot project is in operation. The Secretary shall evaluate the impact of such pilot projects on recipient households, administrative costs, and error rates. The administrative costs of such projects shall be shared in accordance with the provisions of section 16 of the Act. In implementing this section, the Secretary shall consult with the Secretary of Health and Human Services to ensure that to the extent practicable, in the case of households participating in such pilot projects, the processing of applications for, and determinations of eligibility to receive, food stamp benefits are simplified and are unified with the processing of applications for, and determinations of eligibility to receive benefits under such titles of the Social Security Act.

(e)(1) As used in this subsection, the term "qualification period" means a period of time immediately preceding—

(A) in the case of a new applicant for benefits under this Act, the date on which application for such benefits is made by the individual; or

(B) in the case of an otherwise continuing recipient of coupons under this Act, the date on which such coupons would otherwise be issued to the individual.

(2) The Secretary may conduct a pilot project involving the employment requirements described in this subsection in each of the seven administrative regions of the Food and Nutrition Service of the Department of Agriculture.

(3) Under the pilot projects conducted pursuant to this subsection, except as provided in paragraphs (4), (5), and (6), an individual who resides in a project area shall not be eligible for assistance under this Act if the individual was not employed a minimum of twenty hours per week, or did not participate in a workfare program established under section 20, during a qualification period of—

(A) thirty or more consecutive days, in the case of an individual whose benefits under a State or Federal unemployment compensation law were terminated immediately before such qualification period began; or

(B) sixty or more consecutive days, in the case of an individual not described in clause (A).

(4) The provisions of paragraph (3) shall not apply in the case of an individual who—

(A) is under eighteen or over fifty-nine years of age;

(B) is certified by a physician as physically or mentally unfit for employment;

(C) is a parent or other member of a household with responsibility for the care of a dependent child under six years of age or of an incapacitated person;

(D) is a parent or other caretaker of a child under six years of age in a household in which there is another parent who, unless covered by clause (A) or (B), or both such clauses, is employed a minimum of twenty hours per week or participating in a workfare program established under section 20;

(E) is in compliance with section 6(d) and demonstrates, in a manner prescribed by the Secretary, that he is able and willing to accept employment but is unable to obtain such employment; or

(F) is a member of any other group described by the Secretary.

(5) The Secretary may waive the requirements of paragraph (3) in the case of all individuals within all or part of a project area if the Secretary finds that such area—

(A) has an unemployment rate of over 10 per centum; or

(B) does not have a sufficient number of jobs to provide employment for individuals subject to this subsection.

(6) An individual who has become ineligible for assistance under this Act by reason of paragraph (3) may reestablish eligibility for assistance after a period of ineligibility by—

(1) becoming employed for a minimum of twenty hours per week during any consecutive thirty-day period; or

(2) participating in a workfare program established under section 20 during any consecutive thirty-day period.

(f)(1) The Secretary shall conduct a study of the effects of reductions made in benefits provided under this Act pursuant to part 1 of subtitle A of title I of the Omnibus Budget Reconciliation Act of 1981, title XIII of the Food Stamp and Commodity Distribution Amendments of 1981, and any other laws enacted by the Ninety-seventh Congress which affect the food stamp program. The study shall include a study of the effect of retrospective accounting and periodic reporting procedures established under such Acts on benefits provided under this Act and on progam administration.

(2) The Secretary shall submit to the Committee on Agriculture of the House or Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate an interim report on the results of the study conducted pursuant to this subsection no later than February 1, 1984, and a final report on the results of such study no later than March 1, 1985.

AUTHORIZATION FOR APPROPRIATIONS

SEC. 18. (a)(1) To carry out the provisions of this Act *other than the provisions of section 19*, there are hereby authorized to be appropriated not in excess of $5,847,600,000 for the fiscal year ending September 30, 1978; not in excess of $6,778,900,000 for the fiscal year ending September 30, 1979; not in excess of $9,491,000,000 for

the fiscal year ending September 30, 1980; not in excess of $9,739,276,000 for the fiscal year ending September 30, 1981; [and] not in excess of $11,300,000,000 for the fiscal year ending September 30, 1982; *not in excess of $11,900,000,000 for the fiscal year ending September 30, 1983; not in excess of $12,300,000,000 for the fiscal year ending September 30, 1984; and not in excess of $13,200,000,000 for the fiscal year ending September 30, 1985.* Not to exceed one-fourth of 1 per centum of the previous year's appropriation is authorized in each such fiscal year to carry out the provisions of section 17 of this Act. The Secretary shall, by the fifteenth day of each month, submit a report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate setting forth the Secretary's best estimate of the second p-receding month's expenditure, including administrative costs, as well as the cumulative totals for the fiscal year. In each monthly report, the Secretary shall also state whether there is reason to believe that reductions in the value of allotments issued to households certified to participate in the food stamp program will be necessary under subsection (b) of this section.

(2) No funds authorized to be appropriated under this Act or any other Act of Congress shall be used by any person, firm, corporation, group, or organization at any time, directly or indirectly, to interfere with or impede the implementation of any provision of this Act or any rule, regulation, or project thereunder, except that this limitation shall not apply to the provision of legal and related assistance in connection with any proceeding or action before any State or Federal agency or court. The President shall ensure that this paragraph is complied with by such order or other means as the President deems appropriate.

(3) To carry out the provisions of section 19 of this Act, there hereby authorized to be appropriated not in excess of $825,000,000 for the fiscal year ending September 30, 1983, and each of the two subsequent fiscal years.

* * * * * * *

(e) Funds collected from claims against house holds or State agencies, including claims collected pursuant to [sections 7(f), 11(g) and (h), 13(b), and 16(g)] *sections 7(f), 11 (g) and (h), and 13(b) of this Act, claims resulting from resolution of audit findings, and claims collected from households receiving overissuances, shall be credited to the food stamp program appropriation account for the fiscal year in which the collection occurs. Funds provided to State agencies under section 16(c) of this Act shall be paid form the appropriation account for the fiscal year in which the funds are provided.*

* * * * * * *

WORKFARE

SEC. 20. (a)*(1)* The Secretary shall permit any political subdivision, in any State, that applies and submits a plan to the Secretary in compliance with guidelines promulgated by the Secretary to operate a workfare program pursuant to which every member of a

household participating in the food stamp program who is not exempt by virtue of the provisions of subsection (b) of this section shall accept an offer from such subdivision to perform work on its behalf, or may seek an offer to perform work, in return for compensation consisting of the allotment to which the household is entitled under section 8(a) of this Act, with each hour of such work entitling that household to a portion of its allotment equal in value to 100 percentum of the higher of the applicable State minimum wage or the Federal minimum hourly rate under the Fair Labor Standards Act of 1938.

(2)(A) The Secretary shall promulgate guidelines pursuant to paragraph (1) which, to the maximum extent practicable, enable a political subdivision to design and operate a workfare program under this section which is compatible and consistent with similar workfare programs operated by the subdivision.

(B) A political subdivision may comply with this section by operating—

(i) a workfare program pursuant to title IV of the Social Security Act (42 U.S.C. 601 et seq.); or

(ii) any other workfare program which the Secretary determines meets the provisions and protections provided under this section.

(b) The household members who shall be exempt from workfare requirements are those who are either (1) mentally or physically unfit; (2) under eighteen years of age; (3) sixty years of age or over; (4) [subject to and currently involved] *at the option of the operating agency, an individual who is subject to and currently actively and satisfactorily participating* at least twenty hours a week in a work training program under a work registration requirement pursuant to title IV of the Social Security Act; (5) a parent or other member of a household with responsibility for the care of a child under age six or of an incapacitated person; (6) a parent or other caretaker of a child in a household where there is another member who is subject to the requirements of this subsection or is employed fulltime; (7) a regular participant in a drug addiction or alcoholic treatment and rehabilitation program; or (8) an individual described in sections 6(d)(2)(D) or (F) of this Act.

(c) No operating agency shall require any participating member to work in any workfare position to the extent that such work exceeds in value the allotment to which the household is otherwise entitled or that such work [either exceeds twenty hours a week or would, together with any other hours worked in any other compensated capacity by such member on a regular or predictable part-time basis, exceed thirty hours a week], *when added to any other hours worked during such week by such member for compensation (in cash or in kind) in any other capacity, exceeds thirty hours a week.*

* * * * * * *

STATE BLOCK GRANT OPTION

SEC. 21. (a) As used in this section, unless the context otherwise requires, the term—

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(1) "Attorney General" means the Attorney General of the United States.

(2) "Block grant State" means a State which is operating a low-income nutritional assistance program in accordance with this section.

(3) "Comptroller General" means the Comptroller General of the United States.

(4) "State" means the fifty States, the District of Columbia, Guam, and the Virgin Islands of the United States.

(b)(1) A State may elect—

(A) to operate a low-income nutritional assistance block grant program to finance expenditures for food assistance for needy persons within the State in accordance with this section, or

(B) to have the Secretary operate the food stamp program within the State in accordance with sections 2 through 18 and section 20.

(2) If a State elects to operate a low-income nutritional assistance block grant program pursuant to paragraph (1)(A), the State shall give notice to the Secretary of such election at least thirty days before the beginning of the first fiscal year it elects to operate the program.

(3) The Secretary shall make grants to block grant States in accordance with this section.

(4) The Secretary shall retain each fiscal year, out of funds appropriated pursuant to the authorization contained in section 18(a)(1) for such fiscal year, an amount which bears the same ratio to the total amount appropriated pursuant to such authorization as the amounts received by and benefits distributed in block grant States for the period beginning on April 1, 1981, and ending on March 31, 1982, under this Act and section 8 of the Act of December 31, 1973 (Public Law 93-233; 42 U.S.C. 1382e note), bears to the total amount received by all States for that period under this Act and such section.

(c)(1)(A) The Secretary shall allot to each block grant State in each fiscal year, out of funds retained under subsection (b)(4) for such fiscal year, an amount which bears the same ratio to the total amount of funds retained under such subsection as the amount received by and benefits distributed in such block grant State for the period beginning on April 1, 1981, and ending on March 31, 1982, under this Act and section 8 of the Act of December 31, 1973 (Public Law 93-233; 42 U.S.C. 1382e note), bears to the total amount received by all such block grant States for that period under this Act and such section.

(B) Notwithstanding subparagraph (A), no block grant State may receive for any fiscal year an amount less than one-quarter of 1 per centum of the amount appropriated pursuant to the authorization contained in section 18(a)(1) for such fiscal year. If one or more block grant States receive minimum allotments by virtue of this subparagraph, the total amount of funds available to other States shall be reduced by the total amount of allotments received by virtue of this subparagraph.

(2)(A) If, with respect to any block grant State, the Secretary—

(i) receives a request from the governing body of an Indian tribe or tribal organization within the block grant State that

assistance under this section be made directly to the tribe or or ganization; and

(ii) determines that the members of the tribe or tribal organization would be better served if grants to provide benefits under this section were made directly to such tribe or organization,

the Secretary shall reserve, from amounts which would otherwise be allotted to the block grant State under this section for the fiscal year, the amount determined under subparagraph (B).

(B) The Secretary shall reserve for the purpose of subparagraph (A) from sums that would otherwise be allotted to the block grant State an amount which bears the same ratio to the block grant State's allotment for the fiscal year involved as the population of all eligible Indians for whom a determination has been made under this paragraph bears to the population of all individuals eligible for assistance under this section in the block grant State.

(C) The sums reserved by the Secretary under this paragraph shall be granted to Indian tribes and tribal organizations on the basis of the relative number of individuals contained in the Indian tribes and tribal organizations for whom a determination has been made under this paragraph.

(D) To be eligible for a grant under this paragraph in any fiscal year, an Indian tribe or tribal organization must submit to the Secretary a plan for the fiscal year which meets such criteria as the Secretary may prescribe by regulation.

(d)(1) To be eligible for a grant under this section in any fiscal year, a block grant State must submit an application to the Secretary for the fiscal year. Each application shall be submitted at such time and in such form as the Secretary shall require.

(2) No funds may be allotted to a block grant State for any fiscal year after the fiscal year in which such block grant State received funds under this section unless the legislature of the block grant State conducts public hearings, not less often than biennially, on the proposed use and distribution of funds to be provided under this section.

(3) As part of the application required by paragraph (1), the chief executive officer of each block grant State shall certify in writing that the block grant State will—

(A) assess on a regular basis the food and nutrition needs of needy persons residing in the block grant State;

(B) use the funds made available to it under this section to raise the level of nutrition among low-income households residing in that block grant State;

(C) designate c single agency which shall be responsible for the administration, or supervision of the administration, of the program for which funds made available under this section are used;

(D) provide that fiscal control and fund accounting procedures will be established to assure the proper disbursal of and accounting for Federal funds paid to the block grant State under this section, including procedures for monitoring the program carried out by the block grant State with the assistance provided under this section;

(E) provide for an audit (pursuant to paragraph (8)), not less often than biennially, of the block grant State's expenditures of amounts received under this section;

(F) describe how the block grant State program will operate to carry out this paragraph, including a description of the assistance to be provided under the program, the recipients who will be eligible under the program, and the administering agency; and

(G) comply with all the requirements of this paragraph and the public hearing requirement of paragrah (2).

(4) The Secretary may not prescribe the manner in which the block grant States comply with paragraph (3). Each block grant State may prescribe, and the Secretary may not limit, standards of or requirements for eligibility for benefits under this section. Such standards or requirements may include a requirement for work or household contributions, or both, as a condition of eligibility for benefits under this section.

(5) A grant made under this section may not be used by the block grant State, or by any person with whom the block grant State makes arrangements to carry out this section, for the purchase or improvement of land, or the purchase, construction, or permanent improvement of a building or other facility.

(6)(A) The chief executive officer of each block grant State shall prepare and furnish to the Secretary a plan which describes how the block grant State will implement the assurances specified in paragraph (3). The chief executive officer of each block grant State may revise a plan prepared under this subparagraph and shall furnish a copy of the revised plan to the secretary before its implementation.

(B) A plan, including any revision of a plan, prepared under subparagraph (A) shall be made available for public inspection within the block grant State in a manner that will facilitate the review of, and comment on, the plan.

(C) An Indian tribe or tribal organization which receives a grant under subsection (c)(2) shall not be a part of the plan submitted under this paragraph.

(7) The Secretary may, upon a block grant State's request, provide technical assistance with respect to programs for the provision of assistance under this section, including technical assistance for the purpose of determining the feasibility of specific block grant plans under consideration by the block grant State.

(8) Each block grant State shall provide for an annual audit of the funds provided to such block grant State under this section and shall have such audit conducted by an entity independent of the agency administering activities or services uder this section. The audit shall be conducted in accordance with generally accepted accounting principles. Within thirty days after the completion of the audit, the chief executive officer of the block grant State shall submit a copy of the audit to the legislature of the block grant State and the Secretary.

(9) The Comptroller General shall from time to time evaluate expenditures by block grant States of grants made under this section in order to assure that expenditures are consistent with this section and to determine the effectiveness of the block grant State in accomplishing the purposes of this section.

(e)(1) No person may on the ground of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, a program or activity funded with funds made available under this section. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.) or with respect to an otherwise qualified handicapped individual as provided in section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) shall also apply to such a program or activity.

(2) Whenever the Secretary determines that there has been a failure to comply with paragraph (1) or any applicable regulation pertaining to paragraph (1), the Secretary shall notify the chief executive officer of the block grant State and request the chief executive officer to secure compliance.

If within a reasonable period of time, not to exceed sixty days, the chief executive officer fails or refuses to secure compliance, the Secretary may—

(A) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted;

(B) exercise the powers and functions provided under title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.), or section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), as may be applicable; or

(C) take such other action as may be provided by law.

(3) When a matter is referred to the Attorney General pursuant to paragraph (2)(A), or whenever the Attorney General has reason to believe there has occurred a pattern or practice in violation of this subsection, the Attorney General may bring a civil action in an appropriate United States district court for such relief as may be appropriate, including injunctive relief.

(f)(1) The Secretary shall pay each block grant State the total allotment of funds for a fiscal year to which the block grant State is entitled under subsection (c) immediately after the Secretary has determined the amount of such allotment.

(2) Payments made to a block grant State under this section for any fiscal year may be expended by the block grant State only in such fiscal year or in the succeeding fiscal year.

(3) Any funds paid to a block grant State under subsection (c) which are not expended by the block grant State in the fiscal year for which they are paid or in the succeeding fiscal year may be expended by the block grant State on other social services provided pursuant to Federal law. The block grant State shall inform the Secretary of all such funds expended on other social services. If the block grant State elects not to expend all or part of the funds on other social services, the unexpended funds shall be returned to the Secretary and added to the amount made available for allotment to all the block grant States under subsection (b)(4) for the following fiscal year.

(g)(1)(A) The Secretay shall respond in an expeditious and speedy manner to complaints of a substantial or serious nature that a block grant State has failed to use funds in accordance with this section or an assurance made under subsection (d)(3).

(B) The Secretary, after adequate notice and an opportunity for a hearing conducted within the affected block grant State, shall withhold funds from a block grant State which fails to utilize its allotment substantially in accordance with the section or fails to meet an assurance made on behalf of the block grant State under subsection (d)(3).

(2) A block grant State shall repay to the United States any amounts not expended other than in accordance with this section. Any amounts repaid to the United States in any fiscal year shall be added to the amount made available for allotment to all the block grant States under subsection (b)(4) for the following fiscal year. The Secretary shall (in the absence of repayment by the block grant State) offset the amounts against any other amount to which the block grant State is or may become entitled under this section.

(3) The Comptroller General may conduct investigations of the use of funds received under this section by a block grant State in order to ensure compliance with this section.

(4) In connection with an investigation conducted under this subsection, a block grant State shall make appropriate books, documents, papers, and records available to the Secretary and the Comptroller General, upon a reasonable request, for examination, copying, or mechanical reproduction on or off the premises of the entity concerned. The Secretary and the Comptroller General may not request information not readily available to a block grant State or require that information be compiled, collected, or transmitted in a new form not already available.

(h) Whoever knowingly and willfully embezzles, misapplies, steals, or obtains by fraud, false statement, or forgery, any funds, assets, or property provided or financed under this section shall be fined not more than $10,000 or imprisoned for not more than five years, or both. If the value of the funds, assets, or property involved is not over $200, the penalty shall be a fine of not more $1,000 or imprisonment for not more than one year, or both.

(i)(1) The Secretary, in consultation with the Comptroller General, shall evaluate possible formulas for the allotment of funds to block grant States under subsection (c) which could be used as an altrnative method of allotting funds described in subsection (c). The formulas shall provide for the equitable distribution of the funds to block grant States and take into account the population, number of low-income households, financial resources, levels of unemployment, and such other factors within the block grant States which the Secretary deems appropriate.

(2) The Secretary shall report to the Congress on the evaluation conducted pursuant to paragraph (1) no later than June 30, 1983.

PUBLIC LAW 97-35—AUG. 13, 1981

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SHORT TITLE

SECTION 1. This Act may be cited as the "Omnibus Budget Reconciliation Act of 1981".

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[EFFECTIVE DATES

[SEC. 117. Except as otherwise specifically provided, the amendments made by sections 101 through 116 of this Act shall be effective and implemented upon such dates as the Secretary of Agriculture may prescribe, taking into account the need for orderly implementation.]

EFFECTIVE DATES

SEC. 117. Except as otherwise specifically provided, the amendments made by sections 101 through 116 shall be effective on August 13, 1981, and implemented no later than June 1, 1983.

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PUBLIC LAW 97-98—DEC. 22, 1981

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TITLE XIII—FOOD STAMP AND COMMODITY DISTRIBUTION AMENDMENTS OF 1981

SHORT TITLE

SEC. 1301. This title may be cited as the "Food Stamp and Commodity Distribution Amendments of 1981".

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[EFFECTIVE DATE

[SEC. 1338. Except as otherwise specifically provided, the amendments made by this title shall be effective upon such dates as the Secretary of Agriculture may prescribe, taking into account the need for orderly implementation.]

EFFECTIVE DATE

SEC. 1338. Except as otherwise specifically provided, the amendments made by this title shall be effective on December 22, 1981, and implemented no later than July 1, 1983.

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SOCIAL SECURITY ACT, AS AMENDED

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TITLE III—GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

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Section 301. * * *

Provisions of State Laws

Sec. 303. (a) * * *

(d)(1) The State agency charged with the administration of the State law—

(A) shall disclose, upon request and on a reimbursable basis, to officers and employees of the Department of Agriculture and to officers or employees of any State food stamp agency any of the following information contained in the records of such State agency—

(i) wage information

(ii) whether an individual is receiving, has received, or has made application for, unemployment compensation, and the amount of any such compensation being received (or to be received) by such individual.,

(iii) the current (or most recent) home address of such individual, and

(iv) whether an individual has refused an offer of employment and, if so, a description of the employment so offered and the terms, conditions, and rate of pay therefor, and

(B) shall establish such safeguards as are necessary (as determined by the Secretary of Labor in regulations) to insure that information disclosed under subparagraph (A) is used only for purposes of determining an individuals's eligibility for benefits, or the amount of benefits, under the food stamp program established under the Food Stamp Act of 1977.

(2)(A) The State agency charged with the administration of the State law—

(i) may require each new applicant for unemployment compensation to disclose whether the applicant has received an uncollected overissuance (as defined in section 13(c)(3) of the Food Stamp Act of 1977) of food stamp coupons,

(ii) may notify the State food stamp agency to which the uncollected overissuance is owed that the applicant has been determined to be eligible for unemployment compensation if the applicant discloses under clause (i) that the applicant owes an uncollected overissuance and the applicant is determined to be so eligible,

(iii) may deduct and withhold from any unemployment compensation otherwise payable to an individual—

(I) the amount specified by the individual to the State agency to be deducted and withheld under this clause,

(II) the amount (if any) determined pursuant to an agreement submitted to the State food stamp agency under section 13(c)(2)(A) of the Food Stamp Act of 1977, or

(III) any amount otherwise deducted and withheld from the unemployment compensation pursuant to section 13(c)(2)(B) of such Act, and

(iv) shall pay any amount deducted and withheld under clause (iii) to the appropriate State food stamp agency.

(B) Any amount deducted and withheld under subparagraph (A)(iii) shall for all purposes be treated as if it were paid to the individual as unemployment compensation and paid by the individual to the State food stamp agency to which the uncollected overissuance is owed as repayment of the individual's uncollected overissuance.

(C) For purposes of this paragraph, the term "unemployment compensation" means any compensation payable under the State law

(including amounts payable pursuant to an agreement under a Federal unemployment compensation law).

(D) A State food stamp agency to which the uncollected overissuance is owed shall reimburse the State agency charged with the administration of the State unemployment compensation law for the administrative costs incurred by the State agency under this paragraph which are attributable to repayment of uncollected overissuance to the State food stamp agency to which the uncollected overissuance is owed.

[(2)](3) Whenever the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that there is a failure to comply substantially with the requirements of [paragraph (1)] *paragraph (1) or (2),* the Secretary of Labor shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure. Until the Secretary of Labor is so satisfied, he shall make no further certification to the Secretary of the Treasury with respect to such State.

[(3)](4) For purposes of this subsection, the term "state food stamp agency" means any agency described in section 3(n)(1) of the Food Stamp Act of 1977 which administers the food stamp program established under such Act.

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TITLE 26—INTERNAL REVENUE CODE

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SEC. 6103. CONFIDENTIALITY AND DISCLOSURE OF RETURNS AND RETURN INFORMATION.

(a) GENERAL RULE.—Returns and return information shall be confidential, and except as authorized by this title—

(1) no officer or employee of the United States,

(2) no officer or employee of any State or of any local child support enforcement agency who has or had access to returns or return information under this section, and

(3) no other person (or officer or employee thereof) who has or had access to returns or return information under subsection (e)(1)(D)(iii), subsection (m)(4)(B), or subsection (n),

shall disclose any return or return information obtained by him in any manner in connection with his service as such an officer or an employee or otherwise or under the provisions of this section. For purposes of this subsection, the term "officer or employee" includes a former officer or employee.

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(l) DISCLOSURE OF RETURNS AND RETURN INFORMATION FOR PURPOSES OTHER THAN TAX ADMINISTRATION.—

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(9) DISCLOSURE OF RETURN INFORMATION TO FEDERAL, STATE, AND LOCAL AGENCIES ADMINISTERING FEDERALLY FUNDED NEEDS-BASED PROGRAMS.—

(A) RETURN INFORMATION FROM INTERNAL REVENUE SERVICE.—The Secretary shall, upon written request, disclose return information from returns to officers and employees of the appropriate Federal, State, or local agency administering a federally funded needs-based program.

(B) RESTRICTION ON DISCLOSURE.—The Secretary shall disclose return information under subparagraph (A) only for purposes of, and to the extent necessary in, determining an individual's eligibility for benefits, or the amount of benefits, under a federally funded needs-based program.

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(p) PROCEDURE AND RECORDKEEPING.—

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(3) RECORDS OF INSPECTION AND DISCLOSURE.—

(A) SYSTEM OF RECORDKEEPING.—Except as otherwise provided by this paragraph, the Secretary shall maintain a permanent system of standardized records or accountings of all requests for inspection or disclosure of returns and return information (including the reasons for and dates of such requests) and of returns and return information inspected or disclosed under this section. Notwithstanding the provisions of section 552a(c) of title 5, United States Code, the Secretary shall not be required to maintain a record or accounting of requests for inspection or disclosure of returns and return information, or of returns and return informations inspected or disclosed, under the authority of subsections (c), (e), (h) (1), (3)(A), or (4), (i)(4) or (6)(A)(ii), (k) (1), (2), or (6), (*l*) (1), (4)(B), (5), (7), [or] (8), *or (9),* (m), or (n). The records or accountings required to be maintained under this paragraph shall be available for examination by the Joint Committee on Taxation or the Chief of Staff of such joint committee. Such record or accounting shall also be available for examination by such person or persons as may be, but only to the extent, authorized to make such examination under section 552a(c)(3) of title 5, United States Code.

(4) SAFEGUARDS.—Any Federal agency described in subsection (h)(2), (i) (1), (2) or (5), (j) (1) or (2), (*l*) (1), (2), or (5), or (*o*)(1), the General Accounting Office, or any agency, body, or commission described in subsection (d) or (*l*) (3), (6), (7), [or] (8), *or (9),* shall, as a condition for receiving returns or return information—

* * * * * * *

(F) upon completion of use of such returns or return information—

(i) in the case of an agency, body, or commission described in subsection (d) or (*l*) (6), (7), [or] (8), *or (9),* return to the Secretary such returns or return information (along with any copies made therefrom) or make such returns or return information undisclosa-

ble in any manner and furnish a written report to the Secretary describing such manner; and

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SEC. 6402. AUTHORITY TO MAKE CREDITS OR REFUNDS.

(a) GENERAL RULE.* * *

[(c) OFFET OF PAST-DUE SUPPORT AGAINST OVERPAYMENTS.—]

(c) OFFSETS.—

(1) OFFSET OF PAST DUE SUPPORT AGAINST OVERPAYMENTS.—The amount of any overpayment to be refunded to the person making the overpayment shall be reduced by the amount of any past-due support (as defined in section 464(c) of the Social Security Act) owed by that person of which the Secretary has been notified by a State in accordance wth section 464 of the Social Security Act. The Secretary shall remit the amount by which the overpayment is so reduced to the State to which such support has been assigned and notify the person making the overpayment that so much of the overpayment as was necessary to satisfy his obligation for past-due support has been paid to the State. This [subsection] *paragraph* shall be applied to an overpayment prior to its being credited to a person's future liability for an internal revenue tax.

(2) OFFSET OF FOOD STAMP OVERISSUANCES AGAINST OVERPAYMENTS.—The amount of any overpayment to be refunded to the person making the overpayment shall be reduced by the amount of any uncollected overissuance of food stamp coupons (as defined in section 13 (d)(5) of the Food Stamp Act of 1977 owed by that person and with respect to which the Secretary has been notified by a State agency in accordance with section 13 (d) of the Food Stamp Act of 1977. The Secretary shall remit the amount by which the overpayment is so reduced to the State agency to which the uncollected overissuance is due and notify the person who made the overpayment that so much of the overpayment as was necessary to satisfy the person's obligation for an uncollected overissuance has been paid to the State agency. This paragraph shall have priority with respect to an overpayment over a person's future liability for an internal revenue tax.

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SEC. 7213. UNAUTHORIZED DISCLOSURE OF INFORMATION.

(a) RETURNS AND RETURN INFORMATION.—

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(2) STATE AND OTHER EMPLOYEES.—It shall be unlawful for any person (not described in paragraph (1) willfully to disclose to any person, except as authorized in this title, any return or return information (as defined in section 6103(b)) acquired by him or another person under subsection (d), *(l)*(6), (7), [*or*] (8), or *(9)*, or (m)(4) of section 6103. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding $5,000, or imprisonment of not more than 5 years or both, together with the costs of prosecution.

* * * * * * *

AGRICULTURAL ACT OF 1949

AN ACT To STABILIZE PRICES OF AGRICULTURAL COMMODITIES

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949."

TITLE I—BASIC AGRICULTURAL COMMODITIES

* * * * * * *

ADVANCE PAYMENTS

SEC. 107C. (a)(1) Effective with respect to the 1982 crops of wheat, feed grains, upland cotton, and rice, the Secretary shall make available to producers who participate in an acreage limitation program established for wheat, feed grains, upland cotton, or rice under section 107B(e), 105B(e), 103(g)(9), or 101(i)(5), respectively, advance deficiency payments in accordance with this section (other than subsection (b)) if the Secretary determines that deficiency payments likely will be made under such program.

(2) Advance deficiency payments under paragraph (1) shall be made to producers under the following terms and conditions:

(A) Such payments shall be made as soon as practicable after October 1, 1982.

(B) Such payments shall be made in an amount determined by multiplying (i) the estimated farm program acreage for the crop, by (ii) the farm program payment yield for the crop, by (iii) 70 per centum of the projected payment rate, as determined by the Secretary. Notwithstanding the preceding sentence, in any case in which a producer has received disaster payments for wheat, feed grains, upland cotton, or rice under section 107B(2), 105B(b)(2), 103(g)(4), or 101(i)(3), respectively, the Secretary may make such adjustment in the advance deficiency payments made under this subsection as the Secretary determines appropriate.

(b)(1) Effective with respect to the 1983 through 1985 crops of wheat, feed grains, upland cotton, and rice, if the Secretary establishes an acreage limitation or acreage set-aside requirement for a crop of wheat, feed grains, upland cotton, or rice under section 107B(e), 105B(e), 103(g)(9), or 101(i)(5), respectively, and determines that deficiency payments will likely be made for such commodity for such crop, the Secretary—

(A) for the 1983 crop of such commodity, shall make available, as provided in this section (other than subsection (a)), advance deficiency payments to producers who agree to participate in such program; and

(B) for the 1984 and 1985 crops of such commodities, may make available, as provided in this section (other than subsection (a)), advance deficiency payments to producers who agree to participate in such program.

(2) Advance deficiency payments under this subsection shall be made to producers under the following terms and conditions:

(A) Such payments shall be made available to producers as soon as practicable after the producer files a notice of intention

to participate in such program, but in no case prior to October 1, 1982.

(B) Such payments shall be made available to producers in such amounts as the Secretary determines appropriate to encourage adequate participation in such program, except that such amount may not exceed an amount determined by multiplying (i) the estimated farm program acreage for the crop, by (ii) the farm program payment yield for the crop, by (iii) 50 per centum of the projected payment rate, as determined by the Secretary.

(c) Advance deficiency payments under this section shall be made to producers under the following terms and conditions:

(1) In any case in which the deficiency payment payable to a producer for a crop, as finally determined by the Secretary under section 107B(b)(1), 105B(b)(1), 103(g)(3), or 101(i)(2), is less than the amount paid to the producer as an advance deficiency payment for the crop under this section, the producer shall refund an amount equal to the difference between the amount advanced and the amount finally determined by the Secretary to be payable to the producer as a deficiency payment for the crop concerned.

(2) If the Secretary determines under section 107B(b)(1), 105B(b)(1), 103(g)(3), or 101(i)(2) that deficiency payments will not be made available to producers on a crop with respect to which advance deficiency payments already have been made under this section, the producers who received such advance payments shall refund such payments.

(3) Any refund required under paragraph (1) or (2) shall be due at the end of the marketing year for the crop with respect to which such payments were made.

(4) If a producer fails to comply with the requirements under the acreage limitation or set-aside program involved after obtaining an advance deficiency payment under this section, the producer shall repay immediately the amount of the advance, plus interest thereon in such amount as the Secretary shall prescribe by regulations.

(d) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

(e) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(f) The authority provided in this section shall be in addition to, and not in place of, any authority granted to the Secretary or the Commodity Credit Corporation under any other provisions of law.

TITLE II—DESIGNATED NONBASIC AGRICULTURAL COMMODITIES

SEC. 201. The Secretary is authorized and directed to make available (without regard to the provisions of title III) price support to producers for tung nuts, soybeans, honey, milk, sugar beets, and sugar cane as follows:

* * * * * * *

(c) The price of milk shall be supported as such level not in excess of 90 per centum no less than 75 per centum of the parity

price therefore as the Secretary determines necessary in order to assure an adequate supply of pure and wholesome milk to meet current needs, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. [Notwithstanding the foregoing, (1) effective for the period beginning with the date of enactment of this sentence and ending September 30, 1982, the price of milk shall be supported at such level as determined by the Secretary, but not less that $13.10 per hundredweight for milk containing 3.67 per centum milk fat; and (2) effective for each of the fiscal years ending September 30, 1983, September 30, 1984, and September 30, 1985, the price of milk shall be supported at such level as determined by the Secretary, but not less than $13.25, $14.00, and $14.60, respectively, per hundredweight for milk containing 3.67 per centum milk fat: *Provided,* That, for each fiscal year during the period beginning October 1, 1982, and ending September 30, 1985, if the Secretary estimates as of the beginning of any such fiscal year that the net cost of Government price support purchases of milk or the products of milk will be less than $1,000,000,000 during the fiscal year, the price of milk shall be supported at such level as determined by the Secretary, but not less than 70 per centum of the parity price therefor as of the beginning of the relevant fiscal year: *Provided further,* That if the Secretary estimates that net Government price support purchases of milk or the products of milk will be less than 4.0 billion pounds (milk equivalent) in fiscal year 1983; 3.5 billion pounds (milk equivalent) in fiscal year 1984; and 2.69 billion pounds (milk equivalent) in fiscal year 1985, the price of milk shall be supported at such level as determined by the Secretary, but not less than 75 per centum of the parity price therefor as of the beginning of the relevant fiscal year.] *Notwithstanding the foregoing, effective for the period beginning with December 22, 1981, and ending September 30, 1985, the price of milk shall be supported at such level as the Secretary shall determine, but not less than $13.10 per hundredweight for milk containing 3.67 per centum milk fat. Such price support shall be provided through the purchase of milk and the products of milk.*

* * * * * * *

COMMITTEE ON ARMED SERVICES

Title II

United States Senate

COMMITTEE ON ARMED SERVICES

WASHINGTON, D.C. 20510

July 20, 1982

Honorable Pete V. Domenici
Chairman
Committee on the Budget
United States Senate
Washington, D. C. 20510

Dear Chairman Domenici:

Section 2(b)(2) of the First Concurrent Resolution on the Budget for Fiscal Year 1983 directs the Senate Armed Services Committee to report changes in laws in its jurisdiction sufficient to reduce budget authority and outlays in Fiscal Year 1983 by $213 million.

The Department of Defense has indicated that savings of at least $213 million may be achieved by limiting the cost-of-living adjustment ("COLA") for retired military and retired Public Health Service personnel in Fiscal Year 1983 to a four percent increase over that provided in Fiscal Year 1982. 10 U.S.C. 1401a provides that COLA increases for retired military and retired Public Health Service personnel will be provided whenever such increases are similarly provided for civil service annuitants under 5 U.S.C. 8340(b). The question of whether civil service annuitants should receive COLA in Fiscal Year 1983 is a matter which falls within the jurisdiction of the Senate Governmental Affairs Committee.

Accordingly, if the Senate Governmental Affairs Committee recommends and Congress approves a four percent COLA for civil service annuitants in Fiscal Year 1983, then a four percent COLA will automatically apply to retired military and retired Public Health Service personnel without any action by the Senate Armed Services Committee.

Sincerely,

John Tower

John Tower

CBO COST ESTIMATE

(See Title VI)

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

Title III

United States Senate

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, D.C. 20510

July 20, 1982

The Honorable Pete V. Domenici
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the reconciliation instructions in the first concurrent resolution on the budget (S. Con. Res. 92), the recommendations of the Committee on Banking, Housing and Urban Affairs for achieving savings under programs within its jurisdiction are enclosed along with the report of the Committee. These materials are transmitted for your inclusion of them intact as Title III of the overall reconciliation bill to be reported by your Committee.

The Committee has adopted legislation to authorize collection of the present value of FHA mortgage insurance premiums when the loan is made rather than over the life of the mortgage. Your staff indicates that this legislation achieves the savings required by S. Con. Res. 92.

Sincerely,

Jake Garn

Donald Riegle, Jr.

96-611 O - 82 - 14

TITLE III—MATTERS WITHIN THE JURISDICTION OF THE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS OF THE SENATE

History of the Legislation

The Committee on Banking, Housing, and Urban Affairs unanimously ordered Title III favorably reported by a poll conducted on July 19, 1982.

This legislation is also part of S. 2607, the Housing and Community Development Amendments of 1982, which the Committee reported on May 28, 1982, without objection. Hearings on housing authorization issues were held by the Housing Subcommittee on March 30, April 14 and April 15, 1982. This legislation was proposed by the Administration as part of its housing and community development legislation (S. 2361).

Summary of the Legislation

The legislation allows the Federal Housing Administration to proceed with plans to collect FHA mortgage insurance premiums when the loan is issued rather than in installments over the 30 year life of the mortgage. This "up-front" premium payment to FHA will be financed by increasing the mortgage amount. The homebuyer is left with roughly the same total monthly payments. On the assumption that $35 billion of FHA insurance will be issued in FY 83 and later years, the premiums collected by FHA through this procedure are estimated to increase by $695 million in FY 1983, $697 million in FY 1984 and $687 million in FY 1985. These increased collections are the outlay savings required by the Reconciliation instructions.

Specifically, the legislation amends the single-family insuring authorities of the National Housing Act to exclude the amount of the mortgage insurance premiums paid at the time the mortgage is insured from the applicable maximum mortgage and down payment requirements. These changes complement the Administration's proposed revision to the single family insurance premium collection structure. Under this plan, HUD will, by regulation, require the purchaser to pay at the time of settlement the total expected amount of premium due, based upon the average expected term of the loan. The premium will be calculated on a discounted present value basis and will be considered as an eligible expense, included within the amount of the approved loan.

This new procedure will result in significant reductions to the workload of HUD, and also will free loan servicers from the monthly remittance requirement on new loans. The change is expected to have only a small impact on the home purchaser's monthly payment requirement, while increasing premium receipts early in the mortgage life.

Under current law, however, the amount of the mortgage insurance premium payable at settlement is included in the amount of the principal obligation of the loan against which the statutory maxima are applied. If the higher amounts contemplated by the new procedure were similarly included, there would be a corresponding decrease in the insurable mortgage amount attributable

to the dwelling being purchased. The amendments in this legislation will prevent this result by excluding the amount of the premium from the maximum mortgage determinations. Similarly, since insurance premiums are presently included in determining down payment amounts, the amendments will, however, not reduce the amount of insurance protection which is afforded the lender.

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Alice M. Rivlin
Director

July 21, 1982

Honorable Jake Garn
Chairman
Committee on Banking, Housing and
Urban Affairs
United States Senate
5300 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

Pursuant to Section 202 of the Congressional Budget Act of 1974, the Congressional Budget Office has reviewed the recommendations of the Committee on Banking, Housing and Urban Affairs for achieving savings under programs within its jurisdiction, which were transmitted to the Committee on the Budget on July 20, 1982 for inclusion as Title III of the reconciliation bill.

Under current law and procedures, a borrower insured by the Federal Housing Administration (FHA) pays, as part of the monthly mortgage payment, an insurance premium equal to 0.5 percent per year of the outstanding principal balance. The legislation recommended by the Committee would allow the FHA to collect at loan closing an amount equal to the discounted present value of the insurance premiums that otherwise would have been paid. The estimated budget impact for this provision is shown in the table below. It assumes a discount rate of 12 percent and that premiums would have been collected for 13½ years--the estimated term to prepayment of FHA loans.

	Estimated Budget Impact (by fiscal years, in millions of dollars)				
	1983	1984	1985	1986	1987
Budget Authority	---	---	---	---	---
Outlays	-695	-697	-687	-651	-604

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

Alice M. Rivlin
Director

cc: Honorable Donald W. Riegle, Jr.
Ranking Minority Member

Honorable Pete V. Domenici
Chairman

Honorable Ernest F. Hollings
Ranking Minority Member

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

Title IV

United States Senate

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
WASHINGTON, D.C. 20510

July 15, 1982

The Honorable Pete V. Domenici
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

We are submitting herewith the legislative changes in programs within the jurisdiction of the Committee on Commerce, Science, and Transportation to achieve the savings required under the reconciliation procedures contained in S. Con. Res. 92, the First Concurrent Resolution on the Budget for fiscal year 1983.

The Senate Committee on Commerce, Science, and Transportation recognizes the need for Congress to act to bring Federal spending under control. Therefore, the Committee is pleased to recommend legislative changes in programs within its jurisdiction which will accomplish savings which are greater than required by our reconciliation instructions.

Our recommendations include limiting the increases in cost-of-living adjustments to Coast Guard retirement pay during fiscal years 1983, 1984 and 1985. In addition, we recommend reducing the size of both the Federal Communications Commission and Interstate Commerce Commission to 5 members, each. This action will provide further savings and is expected to enhance the efficient operation of these Commissions.

If you should have any questions, feel free to contact us.

Cordially,

Howard W. Cannon
HOWARD W. CANNON
Ranking Minority Member

Bob Packwood
BOB PACKWOOD
Chairman

Enclosures

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

Budget Reconciliation Recommendations

Pursuant to S. Con. Res. 92

Section 2(b)(4) of S. Con. Res. 92 provides that "the Senate Committee on Commerce, Science, and Transportation shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(c) of Public Law 93-344, sufficient to reduce budget authority by $4,000,000 and outlays by $4,000,000 in fiscal year 1983; to reduce budget authority by $15,000,000 and outlays by $15,000,000 in fiscal year 1984; and to reduce budget authority by $27,000,000 and outlays by $27,000,000 in fiscal year 1985."

The Senate Committee on Commerce, Science, and Transportation recognizes the need for Congress to act to bring Federal spending under control. This Committee is aware of its important role in this regard. The actions of this Committee have been undertaken with the full knowledge of its responsibility to achieve the savings required under the reconciliation instructions it received.

The Committee is, therefore, pleased to report legislative changes in direct spending and authorization programs within its jurisdiction which go beyond what was required under reconciliation. This report will make clear exactly how these savings were achieved.

Reduction in Coast Guard budget authority and outlays of $4,000,000 in FY 1983, $15,000,000 in FY 1984 and $27,000,000 in FY 1985 are anticipated under S. Con. Res. 92. These savings are assumed from a 4% limit on cost-of-living adjustments (COLA) for Coast Guard retired pay.

S. Con. Res. 92 similarly instructed the Committee on Governmental Affairs and the Committee on Armed Services to report reductions in spending authority reflective of a 4% limit on COLA for FYs 1983, 1984 and 1985. It is the understanding of the Commerce Committee that these Committees will report changes in laws to accomplish such reductions. Thus, since all other Federal civilian and military retirees will be subject to a 4% COLA 'cap', it is appropriate that Coast Guard retirees be similarly affected.

Cost-of-living adjustments for programs within the jurisdictions of Commerce, Armed Services, and Foreign Relations Committees are tied, by law, to the civil service retirement program which is within the jurisdiction of the Governmental Affairs Committee. Therefore, the savings assumed in the Resolution will occur automatically in these programs when the civil service retirement COLA is changed by the Governmental Affairs Committee. It is the intention of the Commerce Committee to have the Coast Guard retirement COLA exactly equal to that applied to the other branches of the military.

In order to provide certainty, the Committee, in consultation with the Budget Committee and the Congressional Budget Office, is reporting language in Section 401 which converts the 4% 'cap' into dollar amounts for FYs 1983, 1984 and 1985.

Section 402 reduces the size of the Federal Communications Commission (FCC) to 5 from 7 members. The relevant parts of the Communications Act of 1934 specify that the FCC shall be composed of 7 members appointed by the President, by and with the advice and consent of the Senate. The Act further specifies that 4 members shall constitute a quorum.

This proposal would result in savings of approximately $100,000 in FY 1983 and $500,000 annually, thereafter.

The proposal provides that the reduction of 2 positions will take place on July 1, 1983, thereby allowing for an abbreviated appointment to the term of office which expired on June 30, 1982. The second term, expiring on June 30, 1983, will not be filled. The terms of the other members are not affected. The number of members constituting a quorum as of July 1, 1983, is reduced to 3 from 4.

The concept of reducing the size of the FCC is not new. A January 1971 study entitled, "A New Regulatory Framework: Report on Selected Independent Regulatory Agencies" (prepared by the President's Advisory Council on Executive Organizations), recommended that "the number of FCC Commissioners be reduced from seven to five to minimize inefficiency caused by the sheer number of Commissioners considering each issue." The study also concluded that a reduced number of Commissioners would result in "improved regulatory effectiveness without raising the prospect of partisian control over the broadcast media, or individual

interference with the free exchange of ideas or information (at pp. 118-119).

In 1974, a former FCC General Counsel, Henry Geller, endorsed this concept in "A Modest Proposal to Reform the Federal Communications Commission," The Rand Corporation, Washington, D.C. (April, 1974).

A 1977 Congressional study of regulatory commissions ("Study on Federal Regulation," Vol. IV, "Delay in the Regulatory Process" Committee on Governmental Affiars, U.S. Senate, 95th Congress, 1st Session, p. 115 (July, 1977)), concluded that policymaking bodies of 5 are preferable to larger groups, the primary advantage being the speed of decision making.

Most recently, the Comptroller General of the United States called for FCC reduction in a July 1979 report entitled "Organizing the Federal Communications Commission for Greater Management and Regulatory Effectiveness," at pp. 15-16. As such, the FCC reduction seems long overdue.

Section 403 reduces the number of members of the Interstate Commerce Commission (ICC). The current statute provides that the ICC shall be composed of 11 members. However, today, the ICC has only 6 members. Under this section, the ICC membership would be reduced to 5 members effective January 1, 1983.

The reduction would be accomplished by abolishing on January 1, 1983, the 5 offices that are vacant as of July 14, 1982, plus that office which is prescribed by law to

expire on December 31, 1982. While reducing the membership in this fashion will result in an uneven political balance at the ICC for one year, the Committee believes this approach is preferable to others. That is because it is the most simple approach and reduces the size of the membership at the earliest possible date.

The primary purpose for reducing the number of members of the ICC is to effect budget savings for the agency. The annual budget for each member of the ICC is approximately $437,000. This includes:

1. $345,000 for salaries;
2. $14,000 for direct costs, such as travel, telephones, and xeroxing;
3. $55,000 for indirect costs, such as office space; and,
4. $23,000 for administrative support.

These costs could be saved for each actual or potential member of the ICC whose office is abolished.

The Committee believes it makes sense to reduce the number of members for other reasons as well. This includes the fact that the ICC's workload has been reduced by recent regulatory reform measures, and is likely to be reduced further in the future. Further, there is agreement that the

advantages of a collegial body like the ICC can best be achieved with a limited number of members. Finally, the fact that the ICC has been working with fewer than 11 members since before 1977 is evidence that the full complement of members is not necessary.

SECTION-BY-SECTION ANALYSIS

Section 401 of the Committee's proposal reflects precise dollar savings in the area of Coast Guard retirement pay.

S. 2252, The Coast Guard Authorization Act of 1983 and 1984, which authorized spending for Coast Guard Retired Pay passed the Senate prior to receipt of the Budget Reconciliation instructions. S. 2252 authorized appropriations at levels equal to those forecast by the Administration and Congressional Budget Office and assumed a 6.6% COLA for FY 1983. These amounts are $336 million for FY 1983 and $396 million for FY 1984.

The language contained in Section 401 is designed to override the authorized amounts contained in S. 2252.

A 4% 'cap' on the COLA for Coast Guard retired pay, including payments under the Retired Servicemen's Family Protection and Survivor Benefit Plans, and for medical care under the retirees and dependents, reduces the authroized amounts to $332 million in FY 1983, $354.4 million in FY 1984, and $370.8 million in FY 1985.

Section 402 of the proposal reduces the size of the Federal Communications Commission (FCC) from 7 to 5. The reduction will take place on July 1, 1983.

Subsection 402(a) provides that upon expiration of the term of office which, by law, expires on June 30, 1982, a person appointed to fill such office shall be appointed for a term to end on June 30, 1983. The office is then abolished on July 1, 1983. This subsection also provides that the term of office, which current law expires on June 30, 1983, shall be abolished on July 1, 1983.

Subparagraph 402(b)(1) amends section 4(a) of the Communications Act of 1934 (47 U.S.C. 154(a)), to provide that the FCC shall be composed of 5 commissioners. Subparagraph 402(b)(2) amends section 4(h) of the 1934 Communications Act to provide that when the FCC is reduced to 5 members, 3 members shall constitute a quorum. Subparagraph 402(b)(3) makes the effective date of subparagraphs (b)(1) and (b)(2) July 1, 1983.

Section 403(b) provides that effective January 1, 1983, each office within the Interstate Commerce Commission (ICC) that is provided for by 49 U.S.C. 10301 and that is vacant as of July 14, 1982, shall be abolished.

Section 403(b) provides that upon the expiration of that member's term of office which is prescribed by law to expire on December 31, 1982, no person shall be appointed to fill such office and such office shall be abolished immediately after the expiration date.

Section 403 (c) amends 49 U.S.C. 10301(b) effective January 1, 1983, to provide that the ICC shall be composed of 5 members. It further amends the statute to provide that no more than 3 members shall be appointed from the same political party.

Section 403(d) provides that notwithstanding the fact that section 10301(b), as amended, sets forth that no more than 3 members of the ICC shall be appointed from the same political party, any member of the ICC who is serving on the date of enactment shall be allowed to continue serving until that member's current term of office expires.

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Alice M. Rivlin
Director

July 15, 1982

The Honorable Bob Packwood
Chairman
Committee on Commerce, Science,
and Transportation
5202 Dirksen Senate Office Building
Washington, D. C. 20510

Dear Mr. Chairman:

Pursuant to Section 202 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared a cost estimate of the draft recommendations of the Senate Committee on Commerce, Science and Transportation agreed to in executive session on July 14, 1982.

In response to reconciliation instructions to reduce budget authority and outlays as directed by the First Concurrent Resolution on the Budget for Fiscal Year 1983, the Committee proposal limits funding for Coast Guard retired pay to $332 million for fiscal year 1983 to $354.4 million for fiscal year 1984 and to $370.8 million for fiscal year 1985. Relative to the bipartisan baseline used for the first budget resolution, these limitations result in direct spending savings of $4 million in 1983, $15 million in 1984 and $27 million in 1985.

Section 402 of the proposal would reduce the size of the Federal Communications Commission (FCC) from seven to five members beginning July 1, 1983. Based on information provided by the FCC, it is estimated that the reductions in the numbers of commissioners as well as their staff would save approximately $100,000 in fiscal year 1983, and approximately $500,000 annually in each fiscal year thereafter.

Section 403 of the Committee's recommendations would reduce the size of the Interstate Commerce Commission (ICC) from the statutory limit of eleven members to five members beginning January 1, 1983. The ICC currently has six members, so statutorily reducing the membership level to five reduces costs in fiscal year 1983 by approximately $355,000 and by approximately $475,000 in the following fiscal years. The Congressional Budget Office assumed for the purposes of the above estimate that total budgetary resources necessary to support each board member is approximately $472,000 a year, made up of $345,000 in salaries, and personnel benefits and $127,000 in related overhead expenses.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

Alice M. Rivlin
Director

cc: The Honorable Howard W. Cannon
Ranking Minority Member

96-611 O - 82 - 15

COMMITTEE ON FOREIGN RELATIONS

Title V

United States Senate

COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, D.C. 20510

July 20, 1982

The Honorable Pete V. Domenici
Chairman
Committee on the Budget
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

Section 2(b)(5) of the First Budget Resolution for fiscal year 1983 (S.Con.Res. 92) directs the Committee on Foreign Relations to take appropriate action in order to achieve an outlay savings of $2 million in fiscal year 1983 and additional savings in fiscal years 1984-1985. Pursuant to the assumptions made in S.Con.Res. 92, these savings would result from legislation limiting the cost of living allowance increases for Foreign Service retirees to four percent.

Sections 826 and 827 of Public Law 96-465 link the Foreign Service Retirement benefits and cost-of-living adjustments to those of the Civil Service Retirement System.

Under the Rules of the Senate, jurisdiction over Civil Service retirement benefits resides in the Governmental Affairs Committee. In light of this jurisdictional mandate and the statutory linkage between Civil and Foreign Service Retirement benefits, the Committee on Foreign Relations will defer action on limiting cost-of-living increases of Foreign Service retirement annuities to the Committee on Governmental Affairs. It is the Foreign Relations Committee's understanding that that committee will take the appropriate steps necessary to limit these increases.

Sincerely,

Charles H. Percy
Chairman

CHP:gbe

CBO COST ESTIMATE

(See Title VI)

COMMITTEE ON GOVERNMENTAL AFFAIRS

Title VI

United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, D.C. 20510

July 20, 1982

The Honorable Pete V. Domenici
Chairman
Committee on the Budget
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the reconciliation instructions in the First Concurrent Resolution on the Budget (S. Con. Res. 92), the recommendations of the Governmental Affairs Committee to effect the required budgetary savings are enclosed.

The Committee has adopted language to reduce the cost-of-living adjustments for Civil Service retirees and to make other changes in the Civil Service Retirement Program. Also enclosed is a report discussing these recommendations. Your Committee staff indicates that the Governmental Affairs Committee recommendations are consistent with the policy assumptions underlying S. Con. Res. 92.

Sincerely,

Thomas F. Eagleton
Ranking Minority Member

William V. Roth, Jr.
Chairman

Enclosures

COMMITTEE ON GOVERNMENTAL AFFAIRS

II. SUMMARY OF RECONCILIATION OUTLAY SAVINGS

(in millions)

	FY 1983	FY 1984	FY 1985	3-year TOTAL
4% COLA limitation	$270	$917	$1633	$2820
Restoration based on earning capacity	6	18	30	54
Actuarial reductions	2	8	13	23
Deposits, refunds, redeposits, & interest	0	0	33	33
Early retirement	7	21	37	65
Rounding	11	11	11	33
Turnaround leave	2	2	1	5
Maximum civil service retirement	2	2	2	6
Benefits for full months	10	11	12	33
Military contributions for CSR credit	-8	83	8	85
Net deficit reduction	$302	$1073	$1780	$3157

COMMITTEE ON GOVERNMENTAL AFFAIRS

BUDGET RECONCILIATION RECOMMENDATIONS

Pursuant to S.Con.Res.92, the First Concurrent Resolution on the Budget, the Committee on Governmental Affairs has approved legislation which is projected to save $3.157 billion over the next three years. This budgetary savings is achieved through a limitation on cost-of-living adjustments for Civil Service retirees, and through other administrative changes in the Civil Service Retirement program.

I. DISCUSSION OF RECOMMENDATIONS

Limitation of Cost-of-Living Adjustments

The Committee has approved legislation to limit cost-of-living increases for Civil Service retirees to a maximum of 4 percent each year in fiscal years 1983, 1984 and 1985. This proposal will effect an outlay savings of $270 million in fiscal year 1983, $917 million in fiscal year 1984, and $1633 million in fiscal year 1985.

Disability Retirement

Disability provisions of a retirement system are a necessary and integral part of any responsible employer's compensation program. Employees who suffer physical or mental impairments causing partial or complete loss of income need the financial protection that disability programs provide. According to past OPM statistics, 30% of all federal retirees were referred under disability provisions. These statistics, which have caused great criticism of the system, are misleading in that many disability retirees meet the age and service requirements for optional retirement and would have been able to retire

even if their disability retirement application had not been approved.

Optional Retirement

The first portion of the Committee revision would provide that employees who have reached optional retirement eligibility would not be allowed to retire under the disability provisions. This change would provide for disability retirements only when working careers have been shortened by disabling conditions. This change will refine the OPM statistics to reflect a more realistic percentage of disability retirements. It will also reduce administrative costs associated with processing disability retirements.

Restoration based on Earnings Capacity

This proposal changes the current requirement for earning capacity restoration from two years to one year. Under current law, economic recovery is assumed, if in each of two successive calendar years, the disabled annuitants earnings from wages, self-employment, or both, exceed 80% of the current salary of the position from which restored. Because of the two consecutive year provisions, some annuitants can and have manipulated their salary to exceed the 80% level one year and fall below that level the next year. The proposed change to a one year test will make manipulation more difficult, while protecting the interests of disability annuitants who are able to work for short periods or who derive windfall earnings over the short term, but are unable to pursue sustained employment.

National Guard Technicians

The final portion of this revision is designed to resolve an inequity to a small number of National Guard Technicians who, as a condition of civilian employment, must also maintain military membership in the National Guard. In order to maintain military membership in the Guard, technicians must meet the medical standards imposed by the military. These medical standards are more demanding than those required in the technician's civilian position. Therefore, technicians may be separated from their civilian position for failure to meet the physical requirements of his military position. In the past, OPM by rote granted those individuals disability retirement, but a 1980 court decision held that the determinations for disability were separate. Hence, in some cases these individuals have lost jobs through disabling injury and yet receive no compensation. This applies to between 6 and 8 people a year. Prior to the granting of disability, however, OPM will be required to attempt to place an affected technician in a position of comparable grade for which qualified within the commuting area.

Maximum Civil Service Retirement

Currently all retirees may receive each annual COLA regardless of the amount of pay afforded current employees. This has resulted in a situation , during the recent inflationary period, where many annuitants receive more in retirement than they would be receiving if they were still employed in the same position from which they retired.

The Committee proposal would provide that no annuitant receiving an annuity in excess of the highest GS-15 salary could receive a COLA in his annuity which would allow his annuity to be greater than his final pay (or average pay, if higher) increased by the cummulative average increases in pay since the date of retirement.

Actuarial Reductions for Early Retirement

Under current law, except in the case of disability retirement, the annuity of an employee who retires before age 55 is reduced by 2% for each year under age 55. The purpose of the reduction is to equalize the total future benefits the employee will receive with the estimated total benefit that would be paid if he had been 55 a the time of retirement. The existing 2% per year reduction, however, does not fully cover the cost of retirements before age 55. This proposal changes the reduction to a truer actuarial reduction of 4%.

Deposits, Refunds, Redeposits, and Interest Rates

Under current law, certain periods of service for which no deductions have been taken are creditable in full if a deposit is made or the resultant annuity is reduced by 10% of the deposit payable if the deposit is not made. Since the service credit is generally more valuable than the 10% reduction, this proposal would require the deposit in order for retirement credit to be granted. The proposal would not affect current annuitants or certain types of service for which credit is specifically provided without an employee contribution, such as military service (an additional committee proposal will require a deposit for military service as well).

Currently, there is no legislatively fixed period of time an employee must be off the rolls before he may receive a refund of his retirment contributions. The Executive Branch administratively imposes a 31-day retirement. This proposal would statutorily impose the 31-day requirement for all branches of the Federal Government.

Revenues will be increased by requiring employees who redeposit previously refunded retirement contributions to do so at current interest requirements by December 31,

1984. After that time refunds will be charged the interest earned on new CSR investments.

An additional portion of this proposal would restructure the interest provisions associated with deposits, redeposits and refunds. Currently, an unrealistically low rate of 3% has been used for these purposes in the Civil Service Retirement System since 1948. The new approach would require yearly determination of the rate of the interest on the basis of the new investments yield on the government securities in which the fund is invested. It is expected that this change would be not only an incentive to redeposit, but would also serve as a disincentive to future refunds by employees who arrange short breaks in service in order to withdraw their retirement contributions. The new provision would be effective on enactment for new withdrawals. Past withdrawals, however, may be repaid at the current rate 3% rate until December 31, 1984. After that date, the remaining unpaid balance will be charged the current interest rate as determined by this provision.

Rounding

The law currently provides for rounding of benefits to the nearest whole dollar. The proposal, designed to maintain consistency with changes being proposed for other federal benefits programs, would uniformly round down to the next whole dollar.

Travel and Transportation for Vacation Leave

In the years after World War II, the military departments who employed the greatest number of employees in Alaska, Hawaii, Puerto Rico, and the possessions engaged in extensive recruitment on the U.S. mainland to overcome local labor market shortages in these areas. As an aid to recruitment, certain incentives were legislated. Among these was a provision for periodic transportation, at government expense, to and from home of record for home leave. Although home leave, per se, for employees located in Alaska and Hawaii is no longer provided, payment for the accompanying travel and transportation is still reimbursed. In order to eliminate this outdated provision, the proposed amendment would eliminate travel and transportation payment for vacations for certain federal employees in Alaska and Hawaii. Current employees entitled to this benefit are granted one more trip.

Benefits for Full Months Only

Currently, the annuity of retirees cease on the day the death or other terminating event occurs, while the annuities of survivors terminate on the last day of the month before death or other terminating event occurs. Under

the proposal, the annuity of a retiree, like the survivor, would terminate on the last day of the month. The survivor annuity would begin on the first day of the month preceding the annuitant's death. In addition, an employee's annuity will not begin until the beginning of the month following his termination from employment.

Military Service

Requiring Employee Contributions for Civil Service Retirement System Credit for Military Service

"Catch-62" is the term used to describe a situation where an individual with military service retiring under the civil service retirement system uses the years of post-1956 military service for the civilian pension. These military years are also automatically creditable for social security benefit purposes. In order to prevent coverage under both systems for the same period of service, the civil service retirement annuity, by law, is recomputed at age 62 (when social security eligibility begins) to eliminate the period of military service from the civil service annuity. The additional social security benefit gained for these years of military service often does not match the reduction in the civil service annuity.

In order to resolve this problem of dual coverage, the Committee has approved the following three-part proposal:

New Employees

Employees hired under the Civil Service Retirement System after the date of enactment of this proposal will not receive credit for military service toward a civil service annuity unless the employee deposits to the Civil Service Retirement Fund an amount equal to the calculated contributions for their military service. If the employee pays, then he will be entitled to credit under both the civil service and social security systems. This contribution would be equal to the civil service retirement withholding percentage for each year of military service multiplied by the employee's base salary for that period. Employees desiring credit, therefore making a deposit, will be given a two-year grace period, interest at an annual interest rate equal to the yield on new CSR investments begins from the period at the end of the grace period.

Current Employees

Employees on the rolls at the date of enactment would also be given an opportunity to make a deposit to the Civil Service Retirement Fund in an amount equal to the calculated contribution for their military time. If they do, they are similarly entitled to credit under both

systems. The same grace period and interest provisions as for new employees would apply. If they choose not to make a deposit, they would continue to be subject to the "Catch-62" reduction.

Current Retirees

Former civilian employees who are age 62 and currently retired upon enactment will have their annuity recomputed to give them civil service credit for their military service. A similar recomputation will be made at age 62 for those annuitants who are not yet age 62. Upon recomputation of the civil service annuity, there will also be a recomputation of their social security benefits removing credit for the period of military service and reducing the civil service annuity by that amount.

Early Retirement

The Civil Service Reform Act greatly liberalized the early retirement provisions of the law. Currently, a major reorganization of an agency can authorize early retirement for any individual in that agency whether or not jobs were abolished or pay was reduced. The proposed change would require that a significant reduction in force, or a reduction in pay take place in order to allow early retirement. In addition, under this recommendation, a reasonable offer of a position will preclude an individual from eligibility for early retirement.

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Alice M. Rivlin
Director

July 21, 1982

The Honorable William V. Roth, Jr.
Chairman
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Pursuant to Section 202 of the Congressional Budget Act, the Congressional Budget Office has prepared the attached cost estimate for legislative changes submitted by the Committee on July 20, 1982 to the Committee on the Budget to achieve the savings required under the reconciliation procedures in the first budget resolution for fiscal year 1983.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

Alice M. Rivlin
Director

cc: The Honorable Thomas F. Eagleton
Ranking Minority Member

CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 21, 1982

1. BILL NUMBER: Unknown.

2. BILL TITLE: Unknown

3. BILL STATUS:

As ordered transmitted to the Senate Committee on the Budget on July 20, 1982.

4. BILL PURPOSE:

To reduce cost-of-living adjustments received by federal retirees, and to make other changes in the Civil Service Retirement program.

5. COST ESTIMATE:

Table 1 shows estimated budget authority (BA), outlays (O), and revenue effects resulting from enactment of the Committee's recommendations. Subsequent tables provide more detailed information.

TABLE 1. SUMMARY OF BUDGETARY EFFECTS BY SENATE COMMITTEE

		1983	1984	1985
		(By fiscal years, in millions of dollars)		
GOVERNMENTAL AFFAIRS				
Revenue Increases		---	94	55
Direct Spending Reductions (COLA Reductions and other Changes)	BA	---	-242	-535
	O	-331	-1,017	-1,774
Direct Spending Increases (Post-1956 Military Service)	BA	---	94	55
	O	11	12	14
ARMED SERVICES				
Direct Spending Reductions (COLA Reductions) a/	BA	-213	-694	-1,233
	O	-213	-694	-1,233
COMMERCE, SCIENCE AND TRANSPORTATION				
Direct Spending Reductions (COLA reductions)	BA	-4	-15	-27
	O	-4	-15	-27
FOREIGN RELATIONS				
Direct Spending Reductions (COLA Reductions)	BA	---	-2	-4
	O	-2	-8	-15

a/ Includes BA and outlay reductions to Public Health Service Retirement System of $1 million in 1983, $3 million in 1984, and $5 million in 1985.

TABLE A. DETAILED SOURCES OF GOVERNMENTAL AFFAIRS' REVENUE INCREASES

	1983	1984	1985
	(By fiscal year, in millions of dollars)		
Section 3: Accelerated deposits due to higher interest rates	---	---	33
Section 8: Deposits for post-1956 Military Service	---	94	22
Total Revenues	---	94	55

TABLE B. DETAILED SAVINGS FROM GOVERNMENTAL AFFAIRS' PROPOSALS

		1983	1984	1985
		(By fiscal year, in millions dollars)		
Civil Service Retirement (Function 600)				
Section 1: Three Year COLA Limitation	BA	---	-240	-534
	O	-270	-917	-1,633
Section 2: Annual Income Test for Disability a/	BA	---	---	---
	O	-6	-18	-30
Section 4: Acturial Reduction Below Age 55	BA	---	---	b/
	O	-2	-7	-12
Section 6: Round Down to Nearest Dollar a/	BA	---	---	---
	O	-11	-11	-11
Section 7: Benefits on Monthly Basis a/	BA	---	---	---
	O	-34	-40	-49
Section 10: Restrict Early Retirement	BA	---	---	b/
	O	-7	-21	-37
Section 11. Limit Benefits To Executive Pay Levels	BA	---	---	b/
	O	-1	-1	-1
Travel Reimbursement (Distributed among all employing agencies, but primarily DoD)	BA	---	-2	-1
	O	---	-2	-1
Total Savings	BA	---	-242	-535
	O	-331	-1,017	-1,774

a/ Based on OPM estimates and not subject to revision by CBO at this time.

b/ Estimated effect is negative but less than $500,000.

TABLE C. DETAILED SPENDING INCREASES FROM GOVERNMENTAL AFFAIRS PROPOSALS

Function 600		1983	1984	1985
		(By fiscal year, in millions of dollars)		
Section 3: Accelerated deposits due to higher interest	BA	---	---	33
	O	---	---	---
Section 8&9: Post-1956 military service credit	BA	---	94	22
	O	11	12	14
Total Increases	BA	---	94	55
	O	11	12	14

6. BASIS OF ESTIMATE:

The Congressional Budget Office has developed its budgetary estimates based on information and data collected by the Office of Personnel Management and the General Accounting Office. Based on conversations with Committee staff, the CBO estimates assume that individuals receiving retired military pay will not be allowed to use military service credits when calculating their civil service retirement benefits.

7. ESTIMATE COMPARISON: None.

8. PREVIOUS CBO ESTIMATE: None.

9. ESTIMATE PREPARED BY: David Delquadro (226-2618)
Sherri Kaplan (226-2617)
Stacy Sheffrin (226-2820)

10. ESTIMATE APPROVED BY:

for James L. Blum
Assistant Director
for Budget Analysis

96-611 O - 82 - 16

ADDITIONAL VIEWS OF SENATOR DAVID PRYOR

During the Governmental Affairs Committee's consideration of its budget reconciliation instructions I offered and subsequently withdrew an amendment which would have provided for budgetary saving of $125 million in fiscal year 1983, $150 million in fiscal year 1984, and $175 million in fiscal year 1985—a total of $450 million over a three year period. This budgetary savings would have been achieved by reducing government spending for consulting services, management and professional services, and special studies and analyses. I withdrew this amendment at the urging of several members of the committee who argued against it because savings it would achieve would not be recognized by the Budget Committee under the terms of the reconciliation instructions received by the Committee on Governmental Affairs.

The Committee on Governmental Affairs was instructed to report changes in laws within the jurisdiction of the committee which provide spending authority as defined in section 401(c)(2)(C) of Public Law 93-344, sufficient to achieve certain required budgetary savings. Section 401(c)(2)(C) of the Budget Control Act of 1974, defines spending authority as authority "to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts. . . ." Savings can be achieved in two general ways, either through reductions in direct spending outlays, or through reductions in authorizations sufficient to achieve reductions in appropriations. Due to the fact that the instructions to the Committee on Governmental Affairs were limited to direct spending, such as entitlement reductions, several of my committee colleagues opposed the amendment which would have achieved a $450 million reduction over a three year period through reductions in the government's use of consultants.

Although I did not agree with the manner in which the Committee on Governmental Affairs chose to achieve its required budget savings, specifically by capping cost-of-living adjustments and other retirement reductions, and, as a result, voted against the reconciliation package, the package, nevertheless was adopted by the committee and it did achieve the required savings. I was prepared to offer my amendment either as an alternative or an addition to the required savings because non-benefit reductions should be achieved by the Committee. I also intended to offer my amendment because I feel very strongly that consultant expenditures by the federal government need to be reduced.

I believe it is ironic that last year this committee did include in its reconciliation legislation, which was reported to the Budget Committee, a $500 million reduction in spending for consultant services. Wasteful spending in this area of federal procurement has been established through Congressional investigations and hearings, GAO reports and other outside reports. Meaningful savings have been achieved and should continue to be achieved in this area. However, due to specific wording of the Budget Committee's instructions which limit savings to direct spending budget authority, my colleagues urged that the amendment which would have saved $450 million by reducing unnecessary and wasteful consulting services not be offered. This savings needs to be achieved and

properly should have been allowed to be achieved by the Governmental Affairs Committee. However, whether this savings is achieved by the Committee on Governmental Affairs or the Committee on Appropriations, as others have suggested, I sincerely hope savings of this nature will actually be achieved. In my opinion such spending is exactly where the budget should be cut.

If such savings are not encouraged—and it would appear that they are actually discouraged—by the reconciliation process, then something very serious is wrong with the entire budget process. When the discretion of an authorizing committee is so limited that its efforts to achieve savings of taxpayer dollars through reductions such as these are discouraged, then procedure has overruled substance and the Congress and the taxpayer have become victims of our own procedure. I do not believe that taxpayers care what committee gets credit in the reconciliation process, but they should be quite properly unhappy with a process that discourages efforts by any committee to bring down government spending. I intend to work toward correcting a process that appears to be seriously flawed.

DAVID PRYOR.

COMMITTEE ON VETERANS' AFFAIRS

Title VII

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, D.C. 20510

July 20, 1982

Honorable Pete Domenici
Chairman
Senate Budget Committee
United States Senate
Washington, D.C. 20510

Dear Pete:

Pursuant to the terms of the First Concurrent Resolution on the Budget for fiscal year 1983, S. Con. Res. 92, and reconciliation provisions set forth therein at subsections (a) and (b)(7) of section 2, I am enclosing legislative changes and report language for inclusion in Title VII of the 1982 Omnibus Reconciliation Bill and its accompanying report. Also enclosed are minority views and separate views.

At a meeting on July 15, 1982, the Committee approved, by a vote of 7-5, changes in law within the Committee's jurisdiction sufficient to reduce budget authority by $168.1 million and outlays by $166.9 million in fiscal year 1983; to reduce budget authority by $192.1 million and outlays by $191.8 million in fiscal year 1984; and to reduce budget authority by $202 million and outlays by $201.6 million in fiscal year 1985. The Committee recommends that these reductions be accomplished through amendments to the VA pension and compensation accounts, and through enactment of a user fee on VA loan programs.

I look forward to working with you on this important legislation. If you should have any questions, please do not hesitate to contact me.

Sincerely,

ALAN K. SIMPSON
Chairman

AKS/hsw
Enclosures

TITLE VII—BUDGET RECOMMENDATIONS OF THE COMMITTEE ON VETERANS' AFFAIRS PURSUANT TO S. CON. RES. 92

INTRODUCTION

The Committee on Veterans' Affairs has been instructed by the Congress in section 2(b)(7) of Senate Concurrent Resolution 92, the First Concurrent Resolution on the Budget for fiscal year 1983, to submit to the Committee on the Budget, not later than July 20, 1982, recommendations for changes in laws within the jurisdiction of the Committee on Veterans' Affairs which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974 sufficient to reduce budget authority by $77,000,000 and outlays by $77,000,000 in fiscal year 1983; to reduce budget authority by $155,000,000 and outlays by $155,000,000 in fiscal year 1984; and to reduce budget authority by $155,000,000 and outlays by $155,000,000 in fiscal year 1985. In addition, under section 1(b)(13) of Senate Concurrent Resolution 92, the Congress has determined and declared the appropriate levels of budget authority and budget outlays for fiscal years 1982 through 1985, and the functional totals set forth therein for Veterans' Benefits and Services, Function 700, for fiscal years 1983 through 1985 assume the enactment of legislation providing for a 0.5 percent user fee on Veterans' Administration loan programs sufficient to further reduce Function 700 budget authority and outlays, beyond the amounts specified in the Reconciliation instructions to this Committee, by $95,000,000 in budget authority and $95,000,000 in outlays in fiscal year 1983; $105,000,000 in budget authority and $105,000,000 in outlays in fiscal year 1984; $110,000,000 in budget authority and $110,000,000 in outlays in fiscal year 1985.

On February 11, 1982, this Committee held a hearing on issues concerning the President's proposed VA budget for fiscal year 1983, in preparation for the submission of this Committee's Budget Views and Estimates for Fiscal Year 1983. Numerous cost-savings measures were considered by the Committee at that hearing, and on March 3, 1982, the Committee unanimously approved its Budget Views and Estimates for transmittal to the Budget Committee by March 8, 1982. Three of the cost-savings measures so approved—the first providing for a delay in the period of payment with respect to compensation and pension awards, the second changing the end-of-year rule to an end-of-month rule, and the third providing for the rounding down of pension benefits checks—have been retained and incorporated in the present Committee Resolution. Two other measures—one amending the definition of "child" for purposes of pension, and the other establishing a user fee for VA loan programs—were approved by the Committee as potential cost-savings measures deserving of further consideration. One additional cost-saving measure—providing for the rounding downward of compensation benefits and realignment of certain categories of compensation dependents' allowances—which was also approved by the Committee, has been retained in modified form. All of these measures are discussed more fully below. On July 15, 1982, the

Committee met in open markup session and voted, 7–5, to report the Resolution favorably. Accordingly, the Committee hereby reports a Committee Resolution and recommends that the provisions of such Resolution do pass.

Discussion

COMPENSATION AND PENSION AMENDMENTS

Section 701 would delay the commencement of the period of payment based on an award or an increased award or an increased award of compensation, dependency and indemnity compensation or pension to the first day of the first full month immediately following the month in which the award became effective. This section is derived from section 301 of the Administration's proposed Veterans' Disability Compensation and Survivors' Benefits Amendments of 1982, S. 2378, introduced on April 15, 1982.

Under current law, the date of commencement of payment and the effective date of an award are coincident. Under section 3010 of title 38, awards become effective at different times depending on the circumstances of the case and the timing of the filing of the claim. Generally, an award of compensation is effective under section 3010(b)(1), on the day after the veteran's discharge. Other awards become effective on the date that the compensable injury, aggravation of injury or death occurred. A DIC award is effective under section 3010(d) on the first day of the month in which the death occurred. In all such cases, the application for compensation must be made within one year of such potential effective date; if it is not, the award becomes effective no earlier than the date the claim is filed. Various other effective dates provided for under section 3010 address other specific circumstances. In each case, the effective date not only determines the date of commencement of the period of payment but also is important for certain other title 38 purposes that are unrelated to the payment of benefits: for example, eligibility for certain health-care priorities, protection of service-connection or disability ratings, or eligibility for other benefits such as vocational rehabilitation or automobile adaptive assistance.

The change in the payment date contemplated in this section would delay by an average of two weeks in each individual case the commencement of the period of payment, but would not affect the applicability of the effective dates provided for under section 3010 for purposes of the other rights mentioned above that the veteran might have by virtue of such effective date.

The Committee notes that, because of the claims-processing and adjudication delays that ordinarily occur between the time of the filing of the claim and the effective date of an award, the date of the commencement of the period of payment and the date that the first payment is actually made are seldom the same. According to Administrator of Veterans' Affairs Robert Nimmo's letter of transmittal accompanying the proposed Veterans' Disability Compensation and Survivors' Benefits Amendments of 1982, it is routine for a beneficiary's first payment to contain a retroactive component. It is this retroactive component that would in most cases be reduced by virtue of this section, so that in such cases, the reduction would

not lower the amount of the first payment below the amount of the regular subsequent payments.

It should also be noted that new section 3011 protects the right of a surviving spouse to continue to receive compensation or pension at the rate that the veteran would have been entitled to had the veteran lived, in the event that such amount is greater than the amount of DIC or pension payable to the surviving spouse by virtue of the veteran's death.

The Committee believes that the savings associated with this section can be realized while having minimal adverse impact on individual program beneficiaries.

Section 702 would change the effective date of a reduction or discontinuance of compensation or pension occasioned by a change in dependency status. Again, this provision is derived from the Administration's proposed Veterans' Disability Compensation and Survivors' Benefits Amendments of 1982, where it is set forth at section 302.

Under current law, when there is a change in the status of a dependent by reason of marriage, annulment, divorce or death, giving rise to a reduction or discontinuance of benefits to the primary payee, the effective date of that reduction or discontinuance is the last day of the calendar year in which the change occurs. Thus, under this provision, benefits might continue to be paid for up to 11 months (where the change in the dependency status occurred in January) after the condition upon which payments are predicated has ceased to exist. The Committee strongly believes that it is inappropriate, especially in an era of severe budgetary constraints, for the VA to continue to pay benefits for any significant amount of time after the condition upon which the benefit payment is based has ceased to exist.

The Committee notes that the end-of-year rule currently in effect is inconsistent with other provisions contained in section 3012 of title 38 concerning reductions and discontinuances: for example, in the case of marriage or remarriage or death of a payee, the effective date, under section 3012(b)(1), is the last day of the month before the event; in a case where the veteran begins receiving certain military pay which disqualifies him or her from the receipt of VA pension or compensation, the effective date, under section 3012(b)(3), is the day before the date such pay began; and changes in income, in degree of disability or employability, school attendance, and temporary compensation increases for hospitalization take effect, as in proposed section 702, on the last day of the month in which the change occurred.

Section 703 would provide that pension benefit checks be rounded downward to the next lower dollar. This provision also is derived from the Administration's proposed Veterans' Disability Compensation and Survivors' Benefits Amendments Act of 1982, where it is set forth as section 303.

Under current law, pension benefit checks are issued in exact, unrounded dollar amounts (unlike VA compensation, which, as a matter of administration and Congressional practice is paid in rounded dollar amounts with amounts over $.50 being rounded upward to the next higher dollar). The VA certifies to the Treasury Department the exact amounts to be paid to its beneficiaries and

the Treasury Department makes the actual disbursements, either by means of check or electronic funds transfer.

The amendment made in this section would require that the VA, in making this certification to the Treasury Department, round down all amounts of $.99 to the next lower whole dollar. Thus, the average reduction in each individual case would be approximately $.50 per month, or $6 per year, but in all cases less than $12 per year.

This change is consistent with a change made in section 215(g) of the Social Security Act through Section 2206 of last year's Omnibus Budget Reconciliation Act, Public Law 97-35.

Section 704 would amend the definition of "child" for purposes of pension. This section is derived, with some modification, from section 304 of S. 2378, the Veterans' Disability Compensation and Survivors' Benefits Amendments of 1982.

Under current law, the definition of "child" that is applicable for pension purposes is set forth in the general definitional sections of title 38 at section 101(4), and includes any child under the age of 18, any child over the age of 18 who became permanently incapable of self-support before the age of 18, and any child between the ages of 18 and 23 who is pursuing a course of instruction at an approved educational institution. Pension or additional pension is payable to such a child pursuant to sections 521, 541, and 542 of title 38, and under section 306(a) of Public Law 95-588.

This section would modify the definition of "child" to preclude the payment of pension benefits to or on behalf of a student pursuing postsecondary education between the ages of 19 and 23. High school students up to the age of 19 would remain eligible, as would dependents over the age of 18 who are incapable of self-support. Some protection would be afforded to currently eligible students who had reached the age of 18 prior to the effective date of this provision, by providing that they would continue to receive benefits at the level payable to them in September 1982, reduced by 25 percent during the 1982-83 school year, by 50 percent during the 1983-84 school year, and by 75 percent during the 1984-85 school year. No benefits would be payable during the summer months—May, June, July and August—in 1983 and 1984, and all student benefits would be completely phased out by April of 1985.

The Committee continues to believe strongly that benefits for service-connected disabled veterans are the highest priority mission of the Veterans' Administration. It is the Committee's view that, as far as the VA is concerned, the furnishing of benefits for mature, non-disabled students who are children of nonservice-connected veterans is a relatively low priority. The Committee recognizes that the VA pension programs are, to varying degrees, needs-based, but emphasizes that the issue is not whether the students have a compelling need for these benefits; clearly they do, but they also have other compelling needs, such as food and clothing, that are simply inappropriate to the VA's primary missions and budgetary limitations. The Committee also emphasizes that its approval of this section should not be construed as a suggestion that needs-based programs of education loans or grants for college students are anything less than a worthy objective of the Federal Government as a whole. It is the Committee's view that the provision of such bene-

fits is not the VA's responsibility; it lies more appropriately within the jurisdiction of other Federal agencies.

The Committee notes that the amendments made by this section are substantially similar to amendments made to the Social Security Act in section 2210 of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35. VA pension student benefits are similar to the social security benefits that were restricted thereunder inasmuch as VA pension student beneficiaries are not required to show that they are pursuing a degree or that their academic performance has been satisfactory in order to remain eligible for benefits. Benefits may continue during the summer months or during any other vacation or holiday period.

The Committee also believes that it is important to note that educational assistance for postsecondary students remains available through a variety of Federal, State, local, and private programs. In fact, since the time that pension student benefits first became available to students up to age 23 in 1965, funds available to students under financial assistance programs administered by the Department of Education and its predecessor agency have grown 60-fold—from $200 million to about $12 billion a year. The Committee recognizes that some reductions in Federal programs were enacted by Congress last year, but emphasizes that such reductions are relatively insignificant in light of the overall growth pattern in such programs since 1965, amounting to only about 5 percent of the total increase since that time. Despite the controversy that has surrounded those reductions, funding for Federal education benefits continues substantially unabated, and to the extent that this level proves to be inadequate for college-age students in any segment of our society, the proper recourse should be through increases in such general education loan and grant programs, rather than through the VA.

Section 705 would amend the rates of compensation payable under current law in such a way as to reflect the rounding downward of compensation payments to the next lower dollar and the realignment of certain categories of dependent's benefits. This section is derived from a Committee proposal which was unanimously approved by the Committee for inclusion in its Budget Views and Estimates for Fiscal Year 1983, submitted to the Budget Committee on March 8, 1982.

Under current practice, monthly benefit amounts are rounded upward to the next higher dollar amount where the percent increase yields an unrounded amount of $.50 or more. The purpose of this section is to effect a change in this practice, so that all amounts of $.99 or less will be rounded downwards to the next lower dollar. This change would affect, in fiscal year 1983, only those categories of compensation where the addition of a 7.4 percent cost-of-living increase to the rates payable under current law would yield an unrounded total monthly payment with a cents figure of $.50 or more, since amounts of less than $.50 would be rounded downward even under current practice. The schedular rates that would be affected by this provision in fiscal year 1983 would be the rates payable for disabilities rated at 20 percent, 30 percent, 60 percent, 70 percent, 80 percent and 100 percent. Thus, this section also contemplates that the rounded monthly payment

to veterans with disabilities rated at 10 percent would be reduced by $1, so that the largest and least severely disabled category of compensation recipients might bear the same burden—that is, a reduction of $1 in rounded monthly payment amounts—that will be imposed upon more seriously disabled veterans by virtue of this savings initiative.

This section also contemplates certain realignment of dependents' allowances payable under section 315 of title 38. Current practice as reflected in S. 2378, the Administration's proposed 1982 compensation legislation, perpetuates certain arbitrary fluctuations between various categories of dependents' allowance amounts: for example, a married veteran under the Administration's proposal (as adjusted to reflect a 7.4 rather than an 8.1 percent COLA) would receive $50 for one child, $40 for a second child, $42 for a third, and $41 for each additional child. Under the Committee's realignment, the allowance for one child would be $50 per month and the allowance for each additional child would be $40 per month.

The Committee notes, however, that a mere promise to make the above described changes in the 1983 compensation bill, regardless of the practical likelihood of the enactment of that bill, may not be legally sufficient to satisfy this Committee's reconciliation requirements, since the realization of the projected savings would be contingent upon actual enactment of the compensation bill. Therefore, in order to ensure full compliance with the requirements of reconciliation, the Committee proposes to change existing law in such a way as to reflect fiscal year 1983 savings in an amount (prorated over the entirety of fiscal year 1982 to account for the potential January 1, 1983 effective date of this section) equivalent to the projected savings resulting from the measures described above, so that in the event a compensation act is not enacted for fiscal year 1983, the savings associated with this section will nevertheless be realized. However, the Committee stresses that it fully intends that a compensation act shall be enacted for fiscal year 1983 providing for a 7.4 percent cost-of-living increase adjusted as described above, so that savings would result not from actual reductions in the rates of compensation provided under current law, but from various minor adjustments to the amount of the projected increase in those rates. The Committee intends that the minor reductions provided for in this section shall be superceded by such compensation act containing the above modifications, and expects enactment of that bill, with its October 1, 1982 effective date, to occur well before the January 1, 1983 effective date of this section. CBO estimates that cost savings under both alternatives will be substantially identical.

LOAN USER FEE

Section 706 would impose a 0.5 percent user fee on VA loan programs, with an exemption for veterans with compensable service-connected disabilities. This provision is derived from legislation proposed by the Administration, S. 2379, introduced on April 15, 1982.

Loans guaranteed by the VA (which comprise virtually all of the loans which would be affected by this section) offer several significant advantages not available through conventional mortgage

transactions. The most important of these is the fact that the Government's guarantee obviates the need for substantial downpayments, by offering the lender comparable protection. In addition, VA guaranteed loans are available on relatively short terms, at interest rates generally below prevailing market rates, accompanied by other investment safeguards applicable to conventional mortgage transactions. At present, there is no fee charged in connection with these loans comparable to the fee—presently averaging between 3 and 4 percentage points on the total amount of the loan—charged in connection with conventional mortgages. To date, the VA has guaranteed or made over 11,480,000 loans to veterans and active duty service personnel. The face value of these loans has totaled approximately $200 billion.

The 0.5 percent user fee imposed by this section would work out to an average fee of $285 in each individual case, assuming an average loan principal of $57,000. Veterans with compensable service-connected disabilities would be exempted from the provisions of this section, in keeping with the Committee's long-standing view that benefits for service-connected disabled veterans are and should continue to be the highest priority mission of the VA. This section would also afford the individual veteran the option of either paying the fee in cash at the time of settlement or financing it as part of the initial principal amount of the loan.

The Committee believes that the VA loan guarantee program provides a unique and invaluable service to veterans for whom the downpayment demands associated with a conventional mortgage would prove too great an obstacle to home ownership. The Committee is of the view that the imposition of the user fee, with the option of financing, provided for in this section, represents a modest and not unreasonable burden to impose upon beneficiaries of these useful VA loan programs.

As mentioned previously in the introduction to this report, cost savings resulting from the imposition of this user fee have been assumed for fiscal year 1983 in the First Concurrent Budget Resolution, above and beyond the reconciliation targets of $77 million in both budget authority and outlays. In fact, total savings resulting from the compensation and pension amendments made in sections 701 through 705 of this title are sufficient to reduce budget authority by $78.5 million and outlays by $77.3 million in fiscal year 1983, thus satisfying the Committee's reconciliation requirements without regard to the additional savings resulting from the user fee. When the additional $89.6 million in savings, in both budget authority and outlays, is added to these amounts, the resulting total savings for fiscal year 1983 rise to $168.1 million in budget authority and $166.9 million in outlays. These totals may be compared to the total savings of $172 million, in both budget authority and outlays, that result from combining this Committee's reconciliation requirements with the assumption concerning the loan user fee.

Although the Committee was under no formal compulsion, such as is imposed by reconciliation, to produce the additional $95 million in assumed savings associated with the user fee in fiscal year 1983, the Committee nevertheless felt a strong obligation to comply with the overall functional totals for fiscal year 1983 approved by the Congress in the First Concurrent Budget Resolution.

The approximately $4 million discrepancy between the Committee's overall totals and those reflected in the Budget Resolution is attributable solely to the Committee's strong conviction that any user fee approved by the Committee should contain an exemption for service-connected disabled veterans. The Committee felt a diminishing obligation to honor the user fee assumption in fiscal years 1984 and 1985, since the advisory and nonbinding effect of the First Concurrent Budget Resolution, when combined with the fact that it is subject to substantial revision, not only in the context of the Second Concurrent Budget Resolution for fiscal year 1983 but also in subsequent budget resolutions for fiscal years 1984 and 1985, renders these outyear assumptions far more speculative and less compelling than their fiscal year 1983 counterparts. Accordingly, the estimated cost savings recommended by the Committee for the outyears, although well in excess of those required under reconciliation, are still less than the totals of the reconciliation requirements and budgetary assumptions for fiscal years 1984 and 1985 contained in the First Concurrent Budget Resolution.

CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE

July 20, 1982

1. BILL TITLE:

Provisions reducing spending in programs within the jurisdiction of the Senate Committee on Veterans' Affairs.

2. BILL STATUS:

As ordered transmitted to the Senate Committee on the Budget by the Senate Committee on Veterans' Affairs, July 15, 1982.

3. BILL PURPOSE:

To reduce the expenditures authorized by the Senate Committee on Veterans' Affairs in response to budgetary requirements established for that Committee by the First Concurrent Resolution on the Budget for Fiscal Year 1983.

4. COST ESTIMATE:

(by fiscal year, in millions of dollars)

	1983	1984	1985	1986	1987
Estimated Budget Authority	-168.1	-192.1	-202.0	-209.2	-210.3
Estimated Outlays	-166.9	-191.8	-201.6	-208.7	-209.8

The savings resulting from this bill fall within budget function 700. This bill would reduce future federal liabilities through a change to existing entitlements and, therefore, would permit subsequent appropriations action to reduce the budget authority for the programs involved. Negative figures shown as "Required Budget Authority" represent that amount by which budget authority could be reduced, as a result of this bill, below the level needed under current law.

5. BASIS FOR ESTIMATE:

Section 701: This section would provide that the period for which benefits are paid on a new disability compensation, dependency and indemnity compensation (DIC), or pension award would begin the first day of the month following the month in which the award is effective. This provision would take effect October 1, 1982.

(by fiscal year, in millions of dollars)

	1983	1984	1985	1986	1987
Compensation					
Required Budget Authority	-9.0	-10.0	-10.4	-10.8	-11.2
Estimated Outlays	-9.0	-10.0	-10.4	-10.8	-11.2
Pensions					
Required Budget Authority	-19.8	-20.7	-22.0	-23.3	-25.6
Estimated Outlays	-19.8	-20.7	-22.0	-23.3	-25.6

This estimate assumes that all new compensation and pension cases would lose an average of two weeks of benefits as a result of this provision. Approximately 55,000 compensation cases and 128,000 pension cases are estimated to lose on the average $163 and $155, respectively, in fiscal year 1983. Benefit levels in both programs were raised each year for anticipated cost-of-living increases.

A provision substantively identical to section 701 was contained in S. 2378, as introduced in the Senate on April 15, 1982. This bill was introduced at the request of the President. The VA and the CBO estimates of this provision are identical and are the same as the estimate shown above.

Section 702: This section would provide that, where a compensation or pension benefit is to be reduced or discontinued by reason of a dependent's or survivor's marriage or death, or a veteran's divorce or annulment, the effective date of the reduction or discontinuance would be the last day of the month in which the event occurred. Under current law the effective date in such cases would be the last day of the calendar year in which the event occurred. This section would be effective October 1, 1982.

(by fiscal year, in millions of dollars)

	1983	1984	1985	1986	1987
Compensation					
Required Budget Authority	-1.4	-1.4	-1.4	-1.4	-1.4
Estimated Outlays	-1.4	-1.4	-1.4	-1.4	-1.4
Pensions					
Required Budget Authority	-1.8	-2.1	-2.5	-2.8	-3.2
Estimated Outlays	-1.5	-1.8	-2.1	-2.3	-2.7

This estimate is based on VA information indicating that approximately 7,200 compensation cases and 4,400 pension cases would be affected by this provision. The majority of the cases affected would be veteran beneficiaries who would experience the loss of a dependent's allowance six months earlier, on the average, than would be the case under current law.

A provision substantively identical to section 702 was contained in S. 2378, as introduced in the Senate on April 15, 1982. This bill was introduced at the request of the President. The VA and the CBO estimates of this provision are identical and are the same as the estimate shown above.

Section 703: This section would provide that monthly pension payments be rounded down to the next lower dollar. This provision would take effect on July 1, 1983.

(by fiscal year, in millions of dollars)

	1983	1984	1985	1986	1987
Required Budget Authority	-3.6	-10.4	-10.1	-9.9	-9.7
Estimated Outlays	-2.7	-10.4	-10.1	-9.9	-9.7

Nearly 1,700,000 pension cases would be affected by this provision, but the loss to any individual would be less than $1 per month. In those cases where benefits are apportioned to dependents not living with the primary beneficiary, it was assumed that each check would be rounded down. The savings from this amendment would decrease in the outyears, because the total number of pension cases is projected to decline gradually.

A provision similar to section 703 was contained in S. 2378, as introduced in the Senate on April 15, 1982, at the request of the President. Unlike section 703, the provision in S. 2378 stated an effective date of July 1, 1982. The only differences between the VA estimate of S. 2378, the CBO estimate of S. 2378, and the CBO estimate of section 703 result from differences in effective dates.

Section 704: This section would amend the definition of a child, for pension purposes, to include children under the age of 19 who are attending secondary school but to exclude post-secondary school students age 18 or older. This provision would be phased in, beginning in fiscal year 1983, in a similar manner to the amendment to the Social Security Act contained in section 2210 of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).

(by fiscal year, in millions of dollars)

	1983	1984	1985	1986	1987
Required Budget Authority	-13.4	-18.1	-21.7	-24.6	-22.6
Estimated Outlays	-13.4	-18.1	-21.7	-24.6	-22.6

The above figures reflect a VA estimate that this provision would affect approximately 99,200 dependent children of veteran and widowed pensioners. The average amount of benefits lost per child is estimated to be approximately $250 when the phase-in is completed. After fiscal year 1986, the savings from this provision would be expected to decline, because the total number of pension children is projected to decrease.

A provision substantively identical to section 704 was contained in S. 2378, as introduced in the Senate on April 15, 1982. This bill was introduced at the request of the President. The VA and the CBO estimates of this provision are identical and are the same as the estimate shown above.

Section 705: This section would make certain minor adjustments to the monthly benefit rates of disability compensation and dependency and indemnity compensation (DIC). These provisions would take effect January 1, 1983.

(by fiscal year, in millions of dollars)

	1983	1984	1985	1986	1987
Required Budget Authority	-29.5	-29.6	-29.8	-30.0	-30.2
Estimated Outlays	-29.5	-29.6	-29.8	-30.0	-30.2

The changes made by this section would affect approximately 2.3 million disability compensation cases and 0.2 million DIC cases. The average reduction in benefit rates would be about $1 a month.

Section 706: This section would require the collection of a funding fee of one-half of one percent of the original loan principal on loans guaranteed, insured, or made to veterans under the authority of chapter 37, title 38, U.S.C. Loans made to service-disabled veterans would be exempt from the fee. This provision would be effective for all loans closed on or after October 1, 1982.

(by fiscal year, in millions of dollars)

	1983	1984	1985	1986	1987
Estimated Budget Authority	-89.6	-99.8	-104.1	-106.4	-106.4
Estimated Outlays	-89.6	-99.8	-104.1	-106.4	-106.4

According to Veterans Administration (VA) information, approximately 330,000 loans to veterans are guaranteed each year. Because data are not available on the number of loans made to service-disabled veterans, this estimate assumes that such veterans apply for loans at the same rate as all other veterans. It is estimated that approximately 5 percent of loan guarantees are made to service-disabled veterans.

The average value of VA-insured loans is estimated to be about $57,000 in fiscal year 1983. This loan value would result in an average funding fee of $285. The total amount of the fees would increase in the outyears as increases in the cost of housing cause the average funding fee to rise and as anticipated decreases in mortgage interest rates result in growth in the volume of loans.

A similar provision to section 706 was contained in S. 2379, as introduced in the Senate on April 15, 1982. This bill was introduced at the request of the President and would have required the user fee to be collected on all loans made to veterans, regardless of disability. The VA and the CBO estimates of S. 2379 were identical. The savings estimates, as shown below, were approximately 5 percent higher than the estimate of section 706.

(by fiscal year, in millions of dollars)

	1983	1984	1985	1986	1987
Estimated Budget Authority	-94.6	-105.5	-110.0	-112.5	-112.5
Estimated Outlays	-94.6	-105.5	-110.0	-112.5	-112.5

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6. ESTIMATE COMPARISON:

   Where applicable, VA estimates are discussed by section under "Basis for Estimate."

7. PREVIOUS CBO ESTIMATE:

   Where applicable, previous CBO estimates are discussed by section under "Basis for Estimate."

8. ESTIMATE PREPARED BY: K.W. Shepherd (226-2820)

9. ESTIMATE APPROVED BY:

   for James L. Blum
   Assistant Director
   for Budget Analysis

SECTION-BY-SECTION ANALYSIS OF COMMITTEE RESOLUTION

Compensation and Pension Amendments

Section 701

Would add to present chapter 51 of title 38 a new section 3011 pertaining to the commencement of the period of payment for a new or increased award of compensation, dependency and indemnity compensation or pension. It would not change the effective date of such an award or increase, for purposes of other laws administered by the Veterans' Administration. This provision will be codified in subchapter II of chapter 51 of title 38, relating to effective dates, rather than in subchapter III, relating to payment of benefits, because it will operate in direct limitation of the effective dates provided in section 3010 and should be read in conjunction therewith. Cost savings associated with this section, according to CBO estimates, would be, in both budget authority and outlays, $28.8 million in fiscal year 1983, $30.7 million in fiscal year 1984, and $32.4 million in fiscal year 1985.

Subsection (a) of section 701 would add a new section 3011, relating to the commencement of the period of payment based on an award, as follows:

Subsection (a) of new section 3011: Would provide that notwithstanding other provisions of law, including section 3010 of title 38, relating to effective dates of awards and increases in awards of compensation, dependency and indemnity compensation, or pension, payment of monetary benefits in connection with such an award or increased award shall not commence until the first day of the first full calendar month following the month in which the award otherwise became effective.

Clause (1) of subsection (b) of new section 3011: Would provide that during the period between the effective date of the award as provided under existing law and the commencement of the period of payment as provided under new section 3011(a), it shall be deemed that payment began on the effective date, to the extent that the commencement of payment is relevant to other rights that the individual affected may have under title 38, such as eligibility for certain health-care priorities under section 612, protection of service-connection or disability ratings under sections 359 and 110, and eligibility for other benefits such as vocational rehabilitation under chapter 31 and automobile adaptive assistance under chapter 39.

Clause (2) of subsection (b) of new section 3011: Would provide that when an individual who is in receipt of retired or retirement pay for service in the Armed Forces files a waiver of such pay under section 3105 of title 38 in order to become eligible to receive compensation or pension from the Veterans' Administration, the waiver shall not become effective and payment shall not commence until the first day of the month following the month in which the waiver is filed. Thus, in the case of the filing of such a waiver, unlike in the cases of awards or increased awards, the effective date and the date of commencement of payment are merged into one date. This provision is intended in no way to diminish the individual's right to receive retired

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or retirment pay between the date of the filing of the waiver and the effective date of the waiver.

Subsection (c) of new section 3011: Would provide that in cases where a veteran dies and the surviving spouse becomes entitled to death benefits under chapter 11, 13, or 15 of title 38, the date of commencement of payment shall not be delayed unless the monthly amount of dependency and indemnity compensation or pension payable to the surviving spouse is greater than the amount of compensation or pension that the veteran would have received for the month in which the veteran's death occurred.

Subsection (b) of section 701 would amend the table of sections at the beginning of chapter 51 to reflect the insertion of new section 3011.

Section 702

Would amend clause (2) of subsection (b) of present section 3012 of title 38, relating to effective dates of reductions and discontinuances, to provide that the effective date of a reduction or discontinuance of compensation, dependency and indemnity compensation, or pension by reason of marriage, annulment, divorce, or death shall be the last day of the month in which such change in dependency status occurs. Under present law, the effective date of such a change in dependency status is the last day of the calendar year in which such change occurs. Cost savings associated with this section, according to CBO estimates, would be $3.2 million in budget authority and $2.9 million in outlays in fiscal year 1983, $3.5 million in budget authority and $3.2 million in outlays in fiscal year 1984, and $3.9 million in budget authority and $3.5 million in outlays in fiscal year 1985.

Section 703

Would provide that, in computing the amount of monthly Veterans' Administration pension benefits checks, amounts of $0.99 or less shall be rounded downward to the next lower dollar. This provision would not become effective until July 1, 1983, so as not to cause a reduction in the cost-of-living increase for Veterans' Administration pension that went into effect on July 1, 1982. This effective date will result in spending reductions during the final quarter of fiscal year 1982, according to CBO estimates, of $3.6 million in budget authority and $2.7 million in outlays, and would cause subsequent reductions, in both budget authority and outlays, of $10.4 million in fiscal year 1984, and $10.1 million in fiscal year 1985.

Section 703 would add the following new subsection at the end of present section 3020:

Clause (1) of new subsection (f) of section 3020: Would provide that the amounts of monthly payments of VA pension benefits, other than protected pension payable under section 306(b) of the Veterans' and Survivors' Pension Improvement Act of 1978, Public Law 95-588, shall be computed only in accordance with this subsection.

Clause (2) of new subsection (f) of section 3020: Would provide that the method of computing such amounts shall be to determine the exact amount of pension otherwise payable without regard to this provision, and if the result is something other than an even dollar amount, to round such amount downward to the next lower dollar.

Clause (3) of new subsection (f) of section 3020: Would provide that the final rounded amount of pension checks computed under this provision shall be considered to be the actual amount of benefits payable, and that no person shall have any claim to the difference between the unrounded amount and the rounded amount so paid.

Section 704

Would amend the definition of "child" for purposes of Veterans' Administration pension programs to include dependents of pension beneficiaries up to the age of 19 if they are attending secondary school, but not to include dependents who are 18 years of age or older who are not attending secondary school. Under present law, veterans and surviving spouses are eligible for additional pension -- and surviving children are eligible in their own right -- based on the child's college attendance between the ages of 18 and 23. Benefits for students who already have eligibility as of the effective date of this provision would be protected during the student's uninterrupted continuation of college attendance, subject to certain limitations. The cost savings associated with this provision, according to CBO estimates, would be, in both budget authority and outlays, $13.4 million in fiscal year 1983, $18.1 million in fiscal year 1984, and $21.7 million in fiscal year 1985.

Subsection (a) of section 704 would amend section 501 of title 38, relating to definitions of terms used in connection with pension for non-service-connected disability or death or for service, by adding at the end thereof the following new paragraph:

Subparagraph (A) of new paragraph (5) of section 501: Would provide that the definition of "child" set forth in section 101(4) of title 38 shall apply to Veterans' Administration pension benefits for the purposes of sections 521 (relating to pension entitlement for veterans of a period of war), 522 (relating to net worth determinations for purposes of pension), 541 (relating to pension entitlement for surviving spouses of veterans of a period of war), 542 (same, with respect to children of veterans of a period of war), and 543 (relating to net worth determinations for purposes of sections 541 and 542) of title 38, except as provided in new subparagraph (B) of new paragraph (5).

Subparagraph (B) of new paragraph 5: Would provide that the term "child" as defined in section 101(4) does not include a person who is age 18 or older unless such person is under age 19 and is pursuing a program of education for the purpose of receiving a secondary school diploma, or unless such person before attaining the age of 18 became permanently incapable of self support. This provision would act in direct limitation of the provision set forth in section 101(4)(A)(iii) wherein the term "child" is defined to include an unmarried dependent who,

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after attaining the age of 18 years and until completion of education or training (but not after attaining the age of twenty-three years), is pursuing a course of instruction at an approved educational institution.

Subsection (b) of section 704 would provide that the limitation imposed by new paragraph (5) of section 501 shall not apply to existing rights to pension student benefits with respect to any child who has reached the age of 18 prior to the effective date of this provision. Beneficiaries protected by this provision would be subject to the phase-out provisions set forth in subsection (c) below.

Subsection (c) of section 704 would impose the following restrictions on the continuing eligibility for pension or additional pension payable to or on behalf of any child protected under subsection (b) above, on the basis of the child's pursuit of a course of instruction at an approved educational institution: benefits would not be paid for the summer months of May through August, beginning in the summer of 1983; benefits would be computed on the basis of the level payable in September 1982 (or a later month, if deemed appropriate by the Administrator in a case where, for example, eligibility begins in a later month), and would be reduced by 25 percent for the months during the 1982-83 school year, by 50 percent during the months of the 1983-84 school year, and by 75 percent during the months of the 1984-85 school year; no benefits would be paid for any month after April 1985. It is also provided that if, at any time after September 1982, the child discontinues his or her studies, such pension or additional pension shall not be paid for any month thereafter.

Section 705

Would reduce the amounts payable for certain categories of Veterans' Administration service-connected disability compensation, effective on January 1, 1983. The Committee anticipates that prior to such effective date, the Congress will enact S. 2378, the Veterans' Disability Compensation and Survivors' Benefits Amendments of 1982, or comparable legislation, in which all categories of compensation shall receive a 7.4 percent cost-of-living increase, with all amounts of $0.99 or less resulting from the addition of such increase to be rounded to the next lower dollar, with the rounded amount of compensation payable for a 10 percent disability under section 314(a) of title 38 reduced by $1 exactly, and with certain categories of dependents allowances realigned for consistency. The Committee thus intends that the minor reductions provided for in this section shall be superceded by such 1982 compensation bill containing the above modifications, and expects enactment of that bill, with its October 1, 1982 effective date, to occur well before the January 1, 1983 effective date of this section. CBO estimates that cost savings under both such alternatives will be substantially identical. Cost savings associated with the present section are estimated by CBO to be, in both budget authority and outlays, $29.5 million in fiscal year 1983, $29.6 million in fiscal year 1984, and $29.8 million in fiscal year 1985.

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Subsection (a) of section 705 would amend subsections (a) through (j) of present section 314 to reduce by $1 the basic monthly rates of compensation paid to veterans with disabilities rated from 10 to 90 percent, and would reduce by $2 the 100 percent rate. It would also reduce by $1 the higher monthly rates of compensation authorized under subsections (l) through (o) of such section for veterans with certain combinations of severe disabilities; the aid-and-attendance allowance rates allowed under subsection (r); the housebound rate authorized under subsection (s); the additional amount payable under subsection (t) to certain veterans who have suffered the service-connected loss or loss of use of the other-paired extremity; and the limitations on the total amount payable monthly to a veteran entitled to compensation under subsection (k) who is also entitled to receive compensation under another subsection of present section 314. Also, the maximum amount payable monthly to a veteran under subsection (p), which authorizes the Administrator to pay the next higher rate or intermediate rate to a veteran whose disabilities exceed the requirements for any of the rates prescribed in section 314, or who is both blind and deaf, would be reduced by $1.

Subsection (b) of section 705 would amend clauses (B), (C), and (G) of present section 315(1), relating to additional compensation -- "dependents' allowances" -- payable monthly to a totally disabled veteran who has dependents, to reduce by $1 the dependents' allowances payable in cases where the veteran has a spouse and one child living, a spouse and three or more children living, or has no spouse but three or more children living. This subsection would also amend subsection (2) of present section 315 to provide that, when dependents' allowances for veterans rated between 30 and 90 percent disabled are computed thereunder on a pro-rated basis, the amounts so computed shall be rounded downward to the nearest dollar, rather than being adjusted, as under current law, upward or downward to the nearest dollar, counting $0.50 and over as a whole dollar.

Subsection (c) of section 705 would amend present section 362 of title 38, relating to the clothing allowance payable annually to a veteran receiving compensation whose disability requires the use of a prosthetic or orthopedic appliance or appliances, including a wheelchair, that tends to wear out or tear the veteran's clothing, to reduce that allowance by $1.

Subsection (d) of section 705 would amend present section 411 of title 38, relating to the rates of dependency and indemnity compensation (DIC) for the surviving spouses of veterans whose deaths are service-connected, to reduce by $1 the monthly rate of DIC payable to surviving spouses of veterans whose deaths were service connected and whose pay grade was E-1, E-2, E-8, E-9, W-1 through W-4, O-1 through O-10, or who had served in the positions specified in footnotes 1 and 2 to the table of grades and rates in existing section 411. Similar reductions would be made with respect to the additional amount -- dependents' allowances -- payable for each child under the age of 18 to a surviving spouse receiving DIC, with respect to the additional amount of DIC payable monthly to a surviving spouse who is a patient in a nursing home, or who is helpless or blind or so nearly helpless or blind as to require the regular aid and attendance of another person, and with respect to the DIC payable monthly to a

surviving spouse who is so disabled as to be permanently housebound, but not in need of regular aid and attendance.

Subsection (e) of section 705 would amend present section 413, relating to DIC payable to children of a deceased veteran where there is no surviving spouse, to reduce by $1 the amount of DIC payable where there is one child, and on a per stirpes basis, where there are two or more children.

Subsection (f) of section 705 would amend present section 414, relating to supplemental DIC for certain surviving children, to reduce by $1 the additional allowance payable monthly to a child eligible for DIC who has attained the age of 18 and who became permanently incapable of self-suppport before reaching age 18, the monthly DIC payment to such a child when paid concurrently with the payment of DIC to a surviving spouse, and the additional DIC payable monthly to a surviving child pursuing a course of education approved under present section 104 of title 38.

Loan User Fee

Section 706

Would add a new section 1822 to subchapter III of chapter 37 of title 38, relating to administrative provisions concerning housing and small business loans guaranteed, insured, or made by the Veterans' Administration, as follows:

New section 1822: Would require the payment of a user fee of 0.5 percent of the original loan principal of all loans guaranteed, insured, or made to veterans under chapter 37, relating to housing and small business loans, to be payable at the time of settlement. Eligible veterans would have the option of paying the fee in cash at the time of settlement or financing it as part of the initial principal amount of the loan, so that the fee would be payable in its entirety by the lender to the Veterans' Administration at the time of settlement, and the veteran would incur the obligation to repay the principal amount of such fee, together with interest, under the same terms governing the veteran's obligation to repay the principal amount of the loan itself. An exemption is provided in the case of veterans who are receiving Veterans' Administration compensation for service-connected disability, or who would be eligible to receive such compensation upon the filing of a waiver of military retired or retirement pay under section 3105 of title 38. It is further provided that VA loan user fees collected under this provision shall be deposited into the United States Treasury as miscellaneous receipts, to be deducted from Function 700 budget authority and outlays as offsetting receipts.

Cost savings associated with the enactment of new section 1822 are estimated by CBO to be, in both budget authority and outlays, $89.6 million in fiscal year 1983, $99.8 million in fiscal year 1984, and $104.1 million in fiscal year 1985.

Section 707

Subsection (a) of section 707 would provide that the amendments made by section 701, relating to the delay of pension

and compensation payments to the first full month following the month of the effective date of an award, section 702, establishing an end-of-month rule for changes in pension or compensation dependency status, and section 704, relating to the definition of "child" for purposes of pension, shall take effect on October 1, 1982.

Subsection (b) of section 707 would provide that the amendment made by section 703, relating to the rounding downward to the next lower dollar of pension benefit payments, shall take effect with respect to benefits payable for periods beginning after May 31, 1983, so that the first pension payments which would reflect the changes made by section 703 would be those made on July 1, 1983.

Subsection (c) of section 707 would provide that the amendments made by section 705, relating to certain reductions and realignments in compensation payments, shall take effect on January 1, 1983.

Subsection (d) of section 707 would provide that section 706, providing for the collection of a funding fee in connection with VA loans, shall apply only to loans closed on or after October 1, 1982.

TABULATION OF VOTES CAST IN COMMITTEE

In accordance with paragraph 7 of rule XXVI of the Standing Rules of the Senate, the following is a tabulation of votes cast in person or proxy by Members of the Committee on Veterans' Affairs at a July 15, 1982, meeting to consider these recommendations:

1. The Committee agreed to transmit these recommendations to the Budget Committee, pursuant to section 2(a) of S. Con. Res. 92, by a 7-5 vote, as follows:

Yeas - 7	Nays - 5
Alan Simpson	Alan Cranston
Strom Thurmond	Jennings Randolph
Robert Stafford	Spark Matsunaga
Robert Kasten	Dennis DeConcini
Jeremiah Denton	George Mitchell
Frank Murkowski	
Arlen Specter	

2. Prior to that vote, a motion made by Senator Cranston to delete that portion of the recommendations establishing a VA home-loan guaranty user fee in fiscal year 1983 was not agreed to, by a 5-7 vote, as follows:

Yeas - 5	Nays - 7
Alan Cranston	Alan Simpson
Jennings Randolph	Strom Thurmond
Spark Matsunaga	Robert Stafford
Dennis DeConcini	Robert Kasten
George Mitchell	Jeremiah Denton
	Frank Murkowski
	Arlen Specter

3. A motion made by Senator Cranston to exempt veterans of wartime service from the requirement to pay a VA home-loan guaranty user fee and to increase the amount of the fee to 1 percent of the loan amount was not agreed to, by a 2-8 vote, as follows:

Yeas - 2	Nays - 8
Alan Cranston	Alan Simpson
Spark Matsunaga	Strom Thurmond
	Robert Stafford
	Robert Kasten
	Jeremiah Denton
	Frank Murkowski
	Arlen Specter
	Dennis DeConcini

4. A motion made by Senator Cranston to modify the recommendation made with respect to the definition of child for the purposes of VA pension so as not to apply the modified definition to the "improved" pension program established by Public Law 95-588 failed to carry, by a 6-6 vote, as follows:

Yeas - 6	Nays - 6
Alan Cranston	Alan Simpson
Jennings Randolph	Strom Thurmond
Spark Matsunaga	Robert Stafford
Dennis DeConcini	Robert Kasten
George Mitchell	Jeremiah Denton
Arlen Specter	Frank Murkowski

Minority Views of Senators
Alan Cranston, Jennings Randolph, Spark Matsunaga,
Dennis DeConcini, and George Mitchell

We are submitting these minority views to explain why we voted against the legislative package that the Committee on Veterans' Affairs has recommended for inclusion in the reconciliation bill pursuant to section 2 of the First Concurrent Resolution on the Budget for Fiscal Year 1983 (S. Con. Res. 92). We object to the recommended legislative savings because they far exceed what is required under the reconciliation instructions to our Committee, because they include an unwise, inappropriate reduction in certain service-connected disability compensation benefits, and because they provide for the termination of the dependent child-student benefit under the new Veterans' Administration pension program.

Savings in Excess of Reconciliation Requirement

With respect to the first issue -- excessive legislative savings -- we supported Senator Cranston's first amendment to strike from the Chairman's proposal the imposition in fiscal year 1983 of a user fee to be paid by veterans who obtain a VA-guaranteed home loan. We regret the amendment failed 5-7.

Under the reconciliation instructions, our Committee is required to make $77 million in savings for fiscal year 1983 and $155 million in savings for each of fiscal years 1984 and 1985.

Yet, the Committee's proposal goes far -- much too far we believe -- beyond that. In addition to making fiscal year 1983 entitlement cuts totalling $78.5 million in budget authority and $77.3 million in outlays, the Committee's proposal would add another $89.6 million in both budget authority and outlay savings by imposing in fiscal year 1983 a home-loan-guaranty user fee proposal. We stress that this Committee is under no mandate whatsoever to recommend savings of this magnitude -- $90 million in excess of the savings we are required to recommend pursuant to the reconciliation instructions.

We find no justification for proposing cuts that are more than 53 percent above those that our Committee is required to achieve.

This result is not justified on the grounds that our Committee agreed in March of this year, in connection with our report to the Budget Committee, that we were prepared to propose legislative savings of $150 million in fiscal year 1983. First, that $150-million-savings proposal was made in the context of overall veterans' budget policies that then included $134 million more in budget authority and $49 million more in outlays than the First Concurrent Resolution ultimately provided for Function 700. Second, our March proposal contemplated various legislative saving possibilities that -- although legitimate cost-saving measures -- would not achieve savings in the limited area prescribed by the instructions to our Committee and, thus, would not be considered in satisfaction of the reconciliation requirements. With the circumstances thus so greatly changed, we strongly believe that the Committee would be keeping full faith with that prior position by meeting the reconciliation instruction; together with Function 700 reductions contemplated in S. Con. Res. 92, this would produce appropriations reductions of $211 from the President's budget request.

Nor is the Committee's action in the reconciliation package justified on the grounds that, without the user fee proposal for fiscal year 1983, the Function 700 totals under the budget resolution would be exceeded by $95 million. Neither the Function 700 totals nor any other functional totals in the resolution are binding on any committee or on the Congress itself. What are binding on our Committee are the cross-walk allocations and the reconciliation instructions. Both would be satisfied under the Committee's proposal without the user fee for fiscal year 1983.

As all members know, reconciliation is an extraordinary process involving limited debate and other procedural limitations. During floor consideration, it is a "supercharged" process in which the normal prerogatives of individual Senators and the minority are very much abridged. Thus, it seems to us that this is further reason for not recommending in this process savings that substantially exceed the amounts in the reconciliation instructions.

For these reasons, the first Cranston amendment would have deleted any user fee requirement for fiscal year 1983, thereby leaving our Committee fully in accord with our reconciliation instructions and avoiding proposing savings far in excess of what we are required to propose under the budget resolution and the Budget Act.

Unwise Priorities

Cutting Compensation COLA: We also strongly oppose the proposal to "shave" a dollar from the 7.4-percent compensation cost-of-living adjustment (COLA) for service-connected veterans rated 10-percent disabled. We do not see how this is fair to the more than 887,000 service-connected disabled veterans involved. Moreover, we firmly believe this is a dangerous and potentially disruptive approach. This approach would, in our opinion, jeopardize future budgets for compensation increases. If we shave a dollar this year from those rated 10-percent disabled, why not -- some may well ask -- shave a dollar from everybody next year, or shave two dollars, or more? We cannot too strongly counsel against or object to this proposal, which we believe starts us down a road with some very dangerous pitfalls and hazards. This is why The American Legion also has expressed strong opposition to this proposal.

Eliminating Pension-Student Benefit: Finally, we strongly supported Senator Cranston's amendment (his third) of the proposal to modify the definition of "child" for the purposes of VA pension and thereby terminate -- generally with a 3-year phase-down -- the eligibility of veterans and surviving spouses for additional pension based on the college attendance of a child who is age 18 through 22. That amendment would have restricted the proposed new definition to the so-called "old" and "prior" law pension programs and not apply it to the so-called "new" or "improved" pension program -- established by Public Law 95-588 -- that became effective on January 1, 1979. Unfortunately, this amendment failed on a 6-6 tie vote.

The new pension program was enacted in 1978 partly in response to concerns that the prior VA pension program was not equitable and not sufficiently needs-based to provide the greatest benefit to those most in need. For example, under the old pension program, the earned income of a veteran's spouse was excluded in determining the veteran's income eligibility for pension, and 10 percent of the pensioner's social security or other retirement benefits was not counted as income. However, that is not the case with the new pension program, which is designed to assist only truly needy veterans and their survivors.

Thus, we believe that to terminate this modest assistance to college-student children of truly needy families is ill-advised and unwarranted.

It is true that, in last year's Reconciliation Act, the Congress approved a somewhat similar phase-out of student benefits under the Social Security Act for children attending college. However, it should be stressed that social security benefits -- unlike these VA pension benefits -- are not needs-based.

The effect of the third Cranston amendment would have been to ensure that this pension benefit continues to be available to those who are truly in need of it. And, we would note, those needy families who are now under the old pension programs would thus be given the opportunity if they met the income criteria to come into the new program in order to receive the student benefit.

According to estimates provided by the VA, the Committee's proposal would cut or eliminate the so-called "student benefit" for approximately 25,000 pension beneficiaries under the improved program in fiscal year 1983. We stress that those who receive benefits under the improved program are truly needy. For example, in the case of a veteran with a spouse and one child, the maximum family income under the new pension program is $7,883. Under the Committee's proposal, if that child reaches age 18 after October 1, 1982, the maximum family income will be reduced to only $6,980, even though the child is enrolled in college. We fail to see why that family should be denied the small assistance that this income maintenance program provides the pensioner so that that child can attend college and seek to work his or her way out of poverty.

The up to $903 that could be paid annually for the child could make the difference between the child attending a public college or not. It just does not make good policy sense to cut that off.

The argument is made that the individuals on whose behalf these benefits are paid are not veterans. However, they are the dependents and -- in most cases, according to VA figures -- the surviving children of veterans who served this Nation in time of war. And we have long ago recognized our national obligation to help meet their needs through this income-maintenance program. It seems to us that the $2.7 million cost associated with keeping this avenue of assistance open to truly needy veterans' families is both humane and appropriate.

The third Cranston amendment if adopted would still have resulted in estimated cost savings of $10.7 million in fiscal year 1983 -- or only $2.7 million less than the Committee's proposal -- and would retain eligibility for approximately 20 percent of the pension beneficiaries who would be adversely affected by the Committee's proposed modification and ultimate elimination of the student benefit.

Other Issues

Senators Randolph, Matsunaga, DeConcini, and Mitchell also note that they are opposed to imposing a VA loan-guaranty user fee in any fiscal year, Senator Cranston notes in the separate views that follow that a user fee modified as proposed in the second Cranston amendment (described in his separate views) and made effective in fiscal year 1984 would have formed part of a complete reconciliation package that he could have supported as a way of satisfying the instructions to the Veterans' Affairs Committee.

Separate Views of Senator Alan Cranston

In addition to the views expressed in the foregoing Minority Views, I would like to express these separate views regarding the reconciliation legislation that the Committee is recommending.

In the few weeks preceding the Committee's July 15 meeting to mark-up reconciliation legislation, there were lengthy discussions between the majority and minority staffs in order to try to reach a consensus on a proposal that would meet the reconciliation instructions. I regret that those discussions did not succeed. Although we could support a proposal that would satisfy the instructions, I cannot support the proposal that the Committee adopted.

I would like to outline the changes that would be needed in the Committee's proposal in order for me to support it. The first three changes are fully discussed in the foregoing Minority Views. Those three changes would have deleted the imposition of any loan-guaranty user fee in fiscal year 1983, would have deleted the proposal to "shave" a dollar from the 7.4-percent compensation cost-of-living adjustment (COLA) for service-connected veterans rated 10-percent disabled, and would have modified the proposal to eliminate the VA pension allowance paid in the case of children ages 18 through 22 attending college so as to retain the allowance under the "improved" pension program.

Reducing the Compensation COLA

The fourth change would be as follows: In place of shaving the compensation COLA for those rated 10-percent disabled and also to make up the $2.7 million in savings that my amendment to the pension-student provision would have lost, I would support the elimination -- effective February 1, 1983 -- of the "q award", a payment of $67 a month, to veterans who on August 19, 1968, had inactive tuberculosis that was determined to be in a state of complete arrest. Termination of this award would affect approximately 22,000 veterans, most of whom are World War II veterans, and would save $14.8 million in fiscal year 1983, $21.7 million in fiscal year 1984, and $21.3 million in fiscal year 1985. Under the mandate of reconciliation and given the very difficult economic constraints confronting the Nation

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at this time, eliminating the "q award" makes sense to me because the vast majority of these veterans have no service-connected disability and yet they are receiving a monthly compensation payment from the VA.

For those who do have residual effects from TB that would warrant a compensation rating, our proposal would have provided a five-to-six month opportunity -- until February 1, 1983 -- to apply for a service-connected rating. I would also propose that immediate notice of this change in the law be required in order to provide the "q-award" recipients with the maximum opportunity to obtain service-connected ratings before the February 1983 cut-off date. In addition, I would propose that those who do obtain a service-connected rating be given credit for the 14 1/2 years they received the "q award" for purposes of the protections, in sections 359 and 110 of title 38, United States Code, afforded service connection and specific ratings.

With respect to those receiving the "q award" who would not be able to obtain a service-connected rating, it is true that they once did have a disability -- but that does not justify the continued payment of this award at a time when federal programs must be thoroughly reevaluated. Many other veterans who once had disabilities are regularly dropped from the compensation rolls or reduced to zero-percent ratings when they recover. Indeed, it should be pointed out that veterans with service-connected, inactive tuberculosis in a state of complete arrest after August 19, 1968, do not receive any monthly VA payment. Only in the case of the "q award" does the VA make monthly payments for disabilities that no longer exist. In short, the justification for continuing to pay the "q award" (which has been paid for over 14 years) as though it were a service-connected benefit to 22,000 veterans -- with no service-connected disability -- is less than the justification for cutting the COLA for almost 900,000 veterans who do have service-connected disabilities.

Exempting War Veterans From Any User Fee

In the fifth change, which I proposed as an amendment (my second), I would modify the user-fee proposal with respect to fiscal years 1984 and 1985 to exempt wartime veterans as well as service-connected disabled veterans. Thus, the only veterans required to pay such a fee under this amendment would have been peacetime and active-duty service personnel. To make up the reduction in savings

to the extent necessary to reach the reconciliation levels for FY's 1984 and 1985, I would increase the fee to one percent. This would have resulted in savings of $64.8 million for fiscal year 1984 and $67.1 million for fiscal year 1985. Unfortunately, this amendment failed 2-8.

I strongly believe that the Congress would be setting an unfortunate precedent by charging veterans a fee for using benefits earned by virtue of their service to this country during war time. This approach could easily lead to charging such veterans fees for other VA benefits, such as GI Bill and burial benefits. Indeed, for fiscal year 1983 the Administration is requesting $500,000 to study the effect of charging a user fee for certain VA health-care services.

I believe that the Committee should have gone on record at this point in opposition to charging any wartime veteran a fee for using a VA benefit. When post-Korean-conflict veterans -- veterans of peacetime service -- were first made eligible for the VA home-loan guaranty benefits, a fee was imposed on them. But that fee requirement was repealed shortly after the onset of the Vietnam era on the grounds that no war veterans should be subject to such a fee requirement.

Thus, I proposed the above-mentioned amendment for the purpose of expressing my strong opposition to charging wartime veterans any such fee and because a user fee as limited by the amendment would have constituted part of a reconciliation package that would have met the savings levels required by the instructions to our Committee.

Service-Connected Disability Priorities

In connection with this alternative package, I would also note that our Committee attaches top priority to benefits and services for service-connected disabled veterans. Thus, I know that the Committee made a concerted effort to avoid a package of entitlement cuts that would entail a disproportionate burden on veterans with service-connected disabilities.

However, under the Committee's proposal, slightly more than one-half ($ 39.9million) of the entitlement cuts for fiscal year 1983 ($78.5 million) budget authority would come from benefits paid to service-connected disabled veterans. Under the alternative package that I would support -- taking into account that the "q award" is not paid for service-connected disabilities and that any "q award" recipients who do have such a disability would be entitled to

compensation -- the reductions in benefits for service-connected disabled veterans would be less than 37 percent of the total cuts in entitlements ($29.2 million of $79.9 million). Over the full three-year period -- fiscal years 1983, 1984, and 1985 -- the reductions in benefits for service-connected disabled veterans in the package I could support would be only 32 percent of the total budget authority cuts in entitlements in that package. Over the same three-year period, the Committee's proposal would reduce benefits to service-connected disabled veterans by $32 million more and the reductions in those benefits would constitute 14 percentage points more of the total budget authority cuts. These data are shown in more detail on the table which follows these views.

Conclusion

Thus, I regret that the Committee is not pursuing the alternative package that would reflect a higher priority for service-connected disabled veterans and would limit the legislative savings to the levels required by the reconciliation instructions.

With the five changes I have outlined -- which are geared to achieve the savings mandated by the reconciliation legislation to our Committee and no more and to protect benefits for service-connected disabled veterans -- I would support the Committee's proposal. Without these changes, however, I cannot agree with the priorities or amounts reflected in that proposal.

COST SAVINGS IN ENTITLEMENT PROGRAMS (in millions of dollars)

	Chairman's Proposal						Cranston Proposal					
Benefits Paid to Service-Connected Disabled Veterans and their Survivors												
	83		84		85		83		84		85	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
First Full Month	9.0	9.0	10.0	10.0	10.4	10.4	9.0	9.0	10.0	10.0	10.4	10.4
End of Year	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Round/Realign	18.8	18.8	18.9	18.9	19.1	19.1	18.8	18.8	18.9	18.9	19.1	19.1
Shave $1/10's	10.7	10.7	10.7	10.7	10.7	10.7	--	--	--	--	--	--
SUBTOTAL	39.9	39.9	41.0	41.0	41.6	41.6	29.2	29.2	30.3	30.3	30.9	30.9
(% of total)	50.8%	51.6%	44.4%	44.6%	42.5%	42.7%	36.5%	37.1%	30.4%	30.5%	29.7%	29.8%
Benefits Paid to Veterans with No Service-Connected Disabilities and their Survivors												
First Full Month	19.8	19.8	20.7	20.7	22.0	22.0	19.8	19.8	20.7	20.7	22.0	22.0
End of Year	1.8	1.5	2.1	1.8	2.5	2.1	1.8	1.5	2.1	1.8	2.5	2.1
Round Down	3.6	2.7	10.4	10.4	10.1	10.1	3.6	2.7	10.4	10.4	10.1	10.1
Pension/Students	13.4	13.4	18.1	18.1	21.7	21.7	10.7	10.7	14.5	14.5	17.4	17.4
Q Award Elimination	--	--	--	--	--	--	14.8	14.8	21.7	21.7	21.3	21.3
SUBTOTAL	38.6	37.4	51.3	51.0	56.3	55.9	50.7	49.5	69.4	69.1	73.3	72.9
(% of total)	49.2%	48.4%	55.6%	55.4%	57.5%	57.3%	63.5%	62.9%	69.6%	69.5%	70.3%	70.2%
TOTAL	78.5	77.3	92.3	92.0	97.9	97.5	79.9	78.7	99.7	99.4	104.2	103.8

CHANGES IN EXISTING LAW MADE BY COMMITTEE RESOLUTION

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the resolution are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 38—UNITED STATES CODE

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PART II—GENERAL BENEFITS

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CHAPTER 11—COMPENSATION FOR SERVICE-CONNECTED DISABILITY OR DEATH

* * * * * * *

Subchapter II—Wartime Disability Compensation

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§ 314. Rates of wartime disability compensation

For the purposes of section 310 of this title—

(a) if and while the disability is rated 10 per centum the monthly compensation shall be [$58]/*$57;*

(b) if and while the disability is rated 20 per centum the monthly compensation shall be [$107]/*$106;*

(c) if and while the disability is rated 30 per centum the monthly compensation shall be [$162]/*$161;*

(d) if and while the disability is rated 40 per centum the monthly compensation shall be [$232]/*$231;*

(e) if and while the disability is rated 50 per centum the monthly compensation shall be [$328]/*$327;*

(f) if and while the disability is rated 60 per centum the monthly compensation shall be [$413]/*$412;*

(g) if and while the disability is rated 70 per centum the monthly compensation shall be [$521]/*$520;*

(h) if and while the disability is rated 80 per centum the monthly compensation shall be [$604]/*$603;*

(i) if and while the disability is rated 90 per centum the monthly compensation shall be [$679]/*$678;*

(j) if and while the disability is rated as total the monthly compensation shall be [$1,130]/*$1,128;*

(k) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of one or more creative organs, or one foot, or one hand, or both buttocks, or blindness of one eye, having only light perception, or has suffered complete organic aphonia with constant inability to communicate by speech, or deafness of both ears, having ab-

sence of air and bone conduction, the rate of compensation therefor shall be $62 per month for each such loss or loss of use independent of any other compensation provided in subsections (a) through (j) or subsection (s) of this section but in no event to exceed [$1,403] *$1,402* per month; and in the event the veteran has suffered one or more of the disabilities heretofore specified in this subsection, in addition to the requirement for any of the rates specified in subsections (l) through (n) of this section, the rate of compensation shall be increased by [$62] *$61* per month for each such loss or loss of use, but in no event to exceed [$1,966] *$1,965* per month;

(l) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of both feet, or of one hand and one foot, or is blind in both eyes, with 5/200 visual acuity or less, or is permanently bedridden or so helpless as to be in need of regular aid and attendance, the monthly compensation shall be [$1,403] *$1,402;*

(m) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of both hands, or of both legs at a level, or with complications, preventing natural knee action with prostheses in place, or of one arm and one leg at levels, or with complications, preventing natural elbow and knee action with prostheses in place, or has suffered blindness in both eyes, having only light perception, or has suffered blindness in both eyes, rendering such veteran so helpless as to be in need of regular aid and attendance, the monthly compensation shall be [$1,547] *$1,546;*

(n) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of both arms at levels, or with complications, preventing natural elbow action with prostheses in place, has suffered the anatomical loss of both legs so near the hip as to prevent use use of prosthetic appliances, or has suffered the anatomical loss of one arm and one leg so near the shoulder and hip as to prevent the use of prosthetic appliances, or has suffered the anatomical loss of both eyes, the monthly compensation shall be [$1,758] *$1,757;*

(o) if the veteran, as the result of service-connected disability, has suffered disability under conditions which would entitle such veteran to two or more of the rates provided in one or more subsections (l) through (n) of this section, no condition being considered twice in the determination, or if the veteran has suffered bilateral deafness (and the hearing impairment in either one or both ears is service connected) rated at 60 per centum or more disabling and the veteran has also suffered service-connected total blindness with 5/200 visual acuity or less, or if the veteran has suffered the anatomical loss of both arms so near the shoulder as to prevent the use of prosthetic appliances, the monthly compensation shall be [$1,966] *$1,965;*

(p) in the event the veteran's service-connected disabilities exceed the requirements for any of the rates prescribed in this section, the Administrator may allow the next higher rate or an intermediate rate, but in no event in excess of [$1,966]

$1,965. In the event the veteran has suffered service-connected blindness, with 5/200 visual acuity or less and (1) has also suffered bilateral deafness (and the hearing ipairment in either one or both ears is service connected) rated at no less than 40 per centum disabling, the Administrator shall allow the next higher rate, or (2) has also suffered service-connected total deafness in one ear, the Administrator shall allow the next intermediate rate, but in no event in excess of [$1,966] *$1,965.* In the event the veteran has suffered the anatomical loss or loss of use, or a combination of anatomical loss and loss of use, of three extremities, the Administrator shall allow the next higher rate or intermediate rate, but in no event in excess of [$1,966] *$1,965.* Any intermediate rate under this subsection shall be established at the arithmetic mean, rounded to the nearest dollar, between the two rates concerned;

[(q)]

(r) Subject to section 3203(e) of this title, if any veteran, otherwise entitled to compensation authorized under subsection (o) of this section, at the maximum rate authorized under subsection (p) of this section, or at the intermediate rate authorized between the rates authorized under subsections (n) and (o) of this section and at the rate authorized under subsection (k) of this section, is in need of regular aid and attendance, then, in addition to such compensation—

(1) the veteran shall be paid a monthly aid and attendance allowance at the rate of [$844] *$843*; or

(2) if the veteran, in addition to such need for regular aid and attendance, is in need of a higher level of care, such veteran shall be paid a monthly aid and attendance allowance at the rate of [$1,257] *$1,256,* in lieu of the allowance authorized in clause (1) of this subsection, if the Administrator finds that the veteran, in the absence of the provision of such care, would require hospitalization, nursing home care, or other residential institutional care.

For the purposes of clause (2) of this subsection need for a higher level of care shall be considered to be need for personal health-care services provided on a daily basis in the veteran's home by a person who is licensed to provide such services or who provides such services under the regular supervision of a licensed health-care professional. The existence of the need for such care shall be determined by a physician employed by the Veterans' Administration or, in areas where no such physician is available, by a physician carrying out such function under contract or fee arrangement based on an examination by such physician.

For the purposes of section 334 of this title, such allowance shall be condidered as additional compensation payable for disability;

(s) If the veteran has a service-connected disability rated as total, and (1) has additional service-connected disability or disabilies independently ratable at 60 per centum or more, or, (2) by reason of such veteran's service-connected disability or disabilities, is permanently housebound, then the monthly com-

pensation shall be [$1,264] *$1,263.* For the purposes of this subsection, the requirement of "permanently housebound" will be considered to have been met when the veteran is substantially confined to such veteran's house (ward or clinical areas, if institutionalized) or immediate premises due to a service-connected disability or disabilities which it is reasonably certain will remain throughout such veteran's lifetime.

(t)(1) If the veteran (A) is entitled to receive compensation at any rate provided for under subsection (a) through (i) of this section and compensation under subsection (k) of this section, (B) has suffered the loss or loss of use of an extremity as a result of a service-connected disability ratable at 40 per centum or more, and (C) has suffered the loss or loss of use of the paried extremity as a result of a non-service-connected disability, not the result of the veteran's own willful misconduct, that would be rated, if service-connected, at 40 per centum or more, the monthly rate of compensation payable to such veteran shall be increased by [$244] *$243.*

(2) If a veteran described in paragraph (1) of this subsection receive any money or property of value pursuant to an award in a judicial proceeding based upon, or a settlement or compromise of, any cause of action for damages for the non-service-connected disability described in such paragraph, the increase in the rate of compensation otherwise payable under this subsection shall not be paid for any month following a month in which any such money or property is received until such time as the total of the amount of such increase that would otherwise have been payable equals the total of the amount of any such money received and the fair market value of any such property received.

§ 315. Additional compensation of dependents

Any veteran entitled to compensation at the rates provided in section 314 of this title, and whose disability is rated not less than 30 per centum, shall be entitled to additional compensation for dependents in the following monthly amounts:

(1) If and while rated totally disabled and—

(A) has a spouse but no child living, $69;

(B) has a spouse and one child living, [$116] *$115*;

(C) has a spouse and two children living, $153;

(D) has a spouse and three or more children living, $192 (plus [$38] *$37* for each living child in excess of three);

(E) has no spouse but one child living, $47;

(F) has no spouse but two children living, $86;

(G) has no spouse but three or more children living, $123 (plus [$38] *$37* for each living child in excess of three);

(H) has a parent dependent upon such veteran for support, then, in addition to the above amounts, $56 for each parent so dependent;

(I) notwithstanding the other provisions of this paragraph, the monthly payable amount on account of a spouse who is (i) a patient in a nursing home or (ii) helpless or blind, or so nearly helpless or blind as to need or require the regular aid and attendance of another person, shall be $125 for a totally disabled

veteran and proportionate amounts for partially disabled veterans in accordance with paragraph (2) of this section; and

(J) notwithstanding the other provisions of this paragraph, the monthly payable amount on account of each child who has attained the age of eighteen years and who is pursuing a course of instruction at an approved educational institution shall be $105 for a totally disabled veteran and proportionate amounts for partially disabled veterans in accordance with paragraph (2) of this section.

(2) If and while rated partially disabled, but not less than 30 per centum, in an amount having the same ratio to the amount specified in paragraph (1) of this section as the degree of disability bears to total disability. The amounts payable under this paragraph shall be adjusted [upward on] downward to the nearest [dollar, counting fifty cents and over as a whole] dollar.

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Subchapter VI— General Compensation Provisions

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§ 362. Clothing allowance

The Administrator under regulations which the Administrator shall prescribe, shall pay a clothing allowance of [$305] *$304* per year to each veteran who because of disability which is compensable under the provisions of this chapter, wears or uses a prosthetic or orthopedic appliance or appliances (including a wheelchair) which the Administrator determines tends to wear out or tear the clothing of such a veteran.

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CHAPTER 13—DEPENDENCY AND INDEMNITY COMPENSATION FOR SERVICE-CONNECTED DEATHS

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Subchapter II—Dependency and Indemnity Compensation

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§ 411. Dependency and indemnity compensation to a surviving spouse

(a) Dependency and indemnity compensation shall be paid to a surviving spouse, based on the pay grade of the person upon whose death entitlement is predicated, at monthly rates set forth in the following table:

Pay grade	*Monthly rate*	*Pay grade*	*Monthly rate*
E-1	$415	W-4	$595
E-2	428	O-1	525
E-3	438	O-2	542
E-4	466	O-3	580
E-5	479	O-4	613
E-6	490	O-5	676
E-7	514	O-6	761

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E–8	542	O–7	824
E–9	[1] 567	O–8	903
W–1	525	O–9	970
W–2	546	O–10	[2] 1,061
W–3	562		

Pay grade	*Monthly rate*	*Pay grade*	*Monthly rate*
E–1	*$414*	*W–4*	*$594*
E–2	*$427*	*O–1*	*$524*
E–3	*$438*	*O–2*	*$541*
E–4	*$466*	*O–3*	*$579*
E–5	*$479*	*O–4*	*$612*
E–6	*$490*	*O–5*	*$675*
E–7	*$514*	*O–6*	*$760*
E–8	*$541*	*O–7*	*$823*
E–9	[1] *$566*	*O–8*	*$902*
W–1	*$524*	*O–9*	*$969*
W–2	*$545*	*O–10*	[2] *$1,060*
W–3	*$561*		

[1] If the veteran served as sergeant major of the Army, senior enlisted advisor of the Navy, chief master sergeant of the Air Force, sergeant major of the Marine Corps, or master chief petty officer of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be [$610] *$609*.

[2] If the veteran served as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force or Commandant of the Marine Corps, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be [$1,138] *$1,137*.

(b) If there is a surviving spouse with one or more children below the age of eighteen of a deceased veteran, the dependency and indemnity compensation paid monthly to the surviving spouse shall be increased by [$48] *$47* for each such child.

(c) The monthly rate of dependency and indemnity compensation payable to a surviving spouse shall be increased by [$125] *$124* if the spouse is (1) a patient in a nursing home or (2) helpless or blind, or so nearly helpless or blind as to need or require the regular aid and attendance of another person.

(d) The monthly rate of dependency and indemnity compensation payable to a surviving spouse shall be increased by [$62] *$61* if the surviving spouse is, by reason of disability, permanently housebound but does not qualify for the aid and attendance allowance under subsection (c) of this section. For the purposes of this subsection, the requirement of "permanently housebound" will be considered to have been met when the surviving spouse is substantially confined to such surviving spouse's home (ward or clinical areas, if institutionalized) or immediate premises by reason of a disability or disabilities which it is reasonably certain will remain throughout such surviving spouse's lifetime.

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§ 413. Dependency and indemnity compensation to children

(a) Whenever there is no surviving spouse of a deceased veteran entitled to dependency and indemnity compensation, dependency and indemnity compensation shall be paid in equal shares to the children of the deceased veteran at the following monthly rates:

(1) one child, [$210] *$209*;

(2) two children, [$301] *$300*;

(3) three children, [$389] *$388*; and

(4) more than three children, [$389] *$388*, plus [$79] *$78* for each child in excess of three.

(b) If dependency and indemnity compensation has been awarded under this section to a veteran's child or children and the entitlement to dependency and indemnity compensation under this section of an additional child of that veteran who is over the age of eighteen years and who had previously been entitled to dependency and indemnity compensation under this section before becoming eighteen years of age is later reestablished effective retroactively upon determination that such child is pursuing a course of instruction at an approved educational institution, the amount payable retroactively to the additional child is the amount equal to the difference between the total of the increased award payable under this section to the children of the deceased veteran for the retroactive period and the prior total award for such purpose for that period.

§ 414. Supplemental dependency and indemnity compensation to children

(a) In the case of a child entitled to dependency and indemnity compensation who has attained the age of eighteen and who, while under such age, became permanently incapable of self-support, the dependency and indemnity compensation paid monthly to such child shall be increased by [$125] *$124*.

(b) If dependency and indemnity compensation is payable monthly to a person as a "surviving spouse" and there is a child (of such person's deceased spouse) who has attained the age of eighteen and who, while under such age, became permanently incapable of self-support, dependency and indemnity compensation shall be paid monthly to each such child, concurrently with the payment of dependency and indemnity compensation to the surviving spouse, in the amount of [$210] *$209*.

(c) If dependency and indemnity compensation is payable monthly to a person as a "surviving spouse" and there is a child (of such person's deceased spouse) who has attained the age of eighteen and who, while under the age of twenty-three, is pursuing a course of instruction at an educational institution approved under section 104 of this title, dependency and indemnity compensation shall be paid monthly to each such child, concurrently with the payment of dependency and indemnity compensation to the surviving spouse, in the amount of [$107] *$106*.

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CHAPTER 15—PENSION FOR NON-SERVICE-CONNECTED DISABILITY OR DEATH OR FOR SERVICE

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Subchapter I—General

§ 501. Definitions

For the purposes of this chapter—

(1) The term "Indian Wars" means the campaigns, engagements, and expeditions of the United States military forces against Indian tribes or nations, service in which has been recognized heretofore as pensionable service.

(2) The term "World War I" includes, in the case of any veteran, any period of service performed by such veteran after November 11, 1918, and before July 2, 1921, if such veteran served in the active military, naval, or air service after April 5, 1917, and before November 12, 1918.

(3) The term "Civil War veteran" includes a person who served in the military or naval forces of the Confederate States of America during the Civil War, and the term "active military or naval service" includes active service in those forces.

(4) The term "period of war" means the Mexican border period, World War I, World War II, the Korean conflict, the Vietnam era, and the period beginning on the date of any future declaration of war by the Congress and ending on the date prescribed by Presidential proclamation or concurrent resolution of the Congress.

(5)(A) Except as provided in subparagraph (B) of this paragraph, the term 'child' shall be defined as in section 101(4) of this title for the purposes of sections 521, 522, 541, 542, and 543 of this title.

(B) The term 'child' does not include a person who has attained the age of eighteen years unless such person—

(i) is under the age of nineteen years and is pursuing a program of education for the purpose of receiving a secondary school diploma; or

(ii) before attaining the age of eighteen years, became permanently incapable of self-support.

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PART III—READJUSTMENT AND RELATED BENEFITS

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CHAPTER 37—HOME, CONDOMINIUM, AND MOBILE HOME LOANS

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SUBCHAPTER III—ADMINISTRATIVE PROVISIONS

1820. Powers of Administrator.
1821. Incontestability.
1822. Loan User fee.
1823. Direct loan revolving fund.
1824. Loan guaranty revolving fund.
1825. Waiver of discharge requirements for hospitalized persons.
1826. Withholding of payments, benefits, etc.
1827. Expenditures to correct or compensate for structural defects in mortgaged homes.
1828. Exemption from State anti-usury provisions.

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Subchapter III—Administrative Provisions

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§ 1821. Incontestability

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§ 1822. Loan user fee

The Administrator shall collect at the time of settlement a fee in an amount equal to one-half of 1 percent of the original loan principal (not including the amount of such fee) from each veteran, other than a veteran who is in receipt of compensation (or but for the receipt of retirement pay would be entitled to compensation), obtaining a loan guaranteed, insured, or made under this chapter. No loan shall be guaranteed, insured, or made under this chapter until the fee payable under this section has been remitted to the Administrator. Nothing in this chapter shall prohibit the financing of such fee as part of the initial principal amount of the loan. Fees collected under this section shall be deposited into the Treasury of the United States, as miscellaneous receipts.

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PART IV—GENERAL ADMINISTRATIVE PROVISIONS

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CHAPTER 51—APPLICATIONS, EFFECTIVE DATES, AND PAYMENTS

SUBCHAPTER I—APPLICATIONS

Sec.
3001. Claims and forms.
3002. Application forms furnished upon request.
3003. Incomplete applications.
3005. Joint applications for social security and dependency and indemnity compensation.
3006. Furnishing of information by other agencies.

SUBCHAPTER II—EFFECTIVE DATES

3010. Effective dates of awards.
3011. Commencement of the period of payment.
3012. Effective dates of reductions and discontinuances.
3013. Effective dates of educational benefits.

SUBCHAPTER III—PAYMENT OF BENEFITS

3020. Payment of benefits; delivery.
3021. Payment of certain accrued benefits upon death of beneficiary.
3022. Cancellation of checks mailed to deceased payees.

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Subchapter II—Effective Dates

§ 3010. Effective dates of awards

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§ 3011. Commencement of the period of payment

(a) Notwithstanding section 3010 of this title or any other provision of law and except as provided in subsection (c) of this section, payment of monetary benefits based on an award or an increased award of compensation, dependency and indemnity compensation, or pension shall not be made for any period prior to the first day of the calendar month following the month in which the award became effective as provided under such section 3010 or other provision of law.

(b)(1) Except as provided in paragraph (2) of this subsection, during the period between the effective date of an award as provided under section 3010 of this title or other provision of law and the commencement of the period of payment based on such award as provided under subsection (a) of this section, an individual entitled to receive monetary benefits shall be deemed to be in receipt of such benefits for the purpose of all laws administered by the Veterans' Administration.

(2) If any person who is in receipt of retired or retirement pay would be eligible to receive compensation or pension upon the filing of a waiver of such pay in accordance with section 3105 of this title, such waiver shall not become effective until the first day of the month following the month in which such waiver is filed, and nothing in this section shall prohibit the receipt of retired or retirement pay for any period prior to such effective date.

(c) This section shall apply to payments made pursuant to section 3110 of this title only if the monthly amount of dependency and indemnity compensation or pension payable to the surviving spouse is greater than the amount of compensation or pension the veteran would have received but for such veterans' death for the month in which such veteran's death occurred.

§3012. Effective dates of reductions and discontinuances

(a) Except as otherwise specified in this section, the effective date of reduction or discontinuance of compensation, dependency and indemnity compensation, or pension shall be fixed in accordance with the facts found.

(b) The effective date of a reduction or discontinuance of compensation, dependency and indemnity compensation, or pension—

(1) by reason of marriage or remarriage, or death of a payee shall be the last day of the month before such marriage, remarriage, or death occurs;

(2) by reason of marriage, annulment, divorce, or death of a dependent of a payee shall be the last day of the [calendar year] *month* in which such marriage, annulment, divorce, or death occurs;

(3) by reason of receipt of active service pay or retirement pay shall be the day before the date such pay began;

(4) by reason of—

(A) change in income shall (except as provided in section 3112 of this title) be the last day of the month in which the change occurred; and

(B) change in corpus of estate shall be the last day of the calendar year in which the change occurred;

(5) by reason of a change in disability or employability of a veteran in receipt of pension shall be the last day of the month in which discontinuance of the award is approved;

(6) by reason of change in law or administrative issue, change in interpretation of a law or administrative issue, or, for compensation purposes, a change in service-connected or employability status or change in physical condition shall be the last day of the month following sixty days from the date of notice to the payee (at his last address of record) of the reduction or discontinuance;

(7) by reason of the discontinuance of school attendance of a payee or a dependent of a payee shall be the last day of the month in which such discontinuance occurred; (Added P.L. 87-825, § 2.)

(8) by reason of termination of a temporary increase in compensation for hospitalization or treatment shall be the last day of the month in which the hospital discharge or termination of treatment occurred, whichever is earlier;

(9) by reason of an erroneous award based on an act of commission or omission by the beneficiary, or with the beneficiary's knowledge, shall be the effective date of the award; and

(10) by reason of an erroneous award based solely on administrative error or error in judgment shall be the date of last payment.

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Subchapter III—Payment of Benefits

§ 3020. Payment of benefits; delivery

(a) * * *

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(f)(1) Notwithstanding any other provision of this title, any payment of monetary benefits under section 306(a) of the Veterans' and Survivors' Pension Improvement Act of 1978 (Public Law 95-588) or section 521, 541, or 542 of this title shall be made only in an amount that is computed in accordance with paragraph (2) of this subsection.

(2) In computing the amount of any such payment, the Administrator shall—

(A) first determine the amount payable without regard to this subsection, and

(B) if such amount is not a multiple of $1, then round such amount to the next lower multiple of $1.

(3) The amount payable to a person under this subsection shall be considered as the amount of such person's monetary benefit under the provision of law described in paragraph (1) of this subsection applicable to such person, and no person shall have any claim to the difference between the amount determined under clause (A) of paragraph (2) of this subsection and the amount payable under clause (B) of such paragraph.

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